

INDIAN TARIFF BOARD

EVIDENCE

Recorded during enquiry into the

**PAPER AND PAPER PULP
INDUSTRIES**

Volume I

Applicants for Protection



CALCUTTA : GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH

1925

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Press Communique Issued by the Tariff Board.

No. 1.—Press Communiqué, dated the 17th April 1924.

In the Resolution of the Government of India in the Commerce Department, applications for protection on behalf of the following industries have been referred to the Tariff Board :—

Paper.

* * * * *

The Board hope that those firms or persons engaged in the industries enumerated above, who consider that protection should be granted, will, if no representation on their behalf has yet been presented to the Government of India, submit their representations to the Board without delay.

2. It is the intention of the Board to obtain from the applicants full statements of the facts on which they rely in support of their claims, and for this purpose questionnaires have been drawn up specifying the points on which information is required. As soon as replies have been received, arrangements will be made to examine orally representatives of the firms applying for protection and the written and oral evidence taken will then be published. Thereafter all persons who consider that their interests are likely to be affected by the proposals made, or desire either to support or to oppose the claims to protection, will be invited to submit written representations to the Board and to say whether they desire to tender oral evidence in addition.

3. The Board believe that the procedure outlined above will conduce to the public convenience and will facilitate their enquiries. Until the case for protection has been developed and the most important facts have been ascertained, it is difficult for commercial bodies, or other persons interested, to understand exactly what is proposed or to express their views adequately on all aspects of the case. When opinions are invited, they will be asked for by a date so fixed as to allow a sufficient interval after the publication of the evidence for its study and examination. But since the Board's tour programme must be settled some time in advance, it is desirable that those who intend to give oral evidence, or think it likely that they will do so, should send early intimation to the Board.

No. 2.—Press Communiqué, dated Simla, the 26th June 1924.

In their Communiqué dated the 17th April, the Tariff Board outlined the procedure they intended to adopt in dealing with the applications for protection referred to them by the Government of India in Commerce Department Resolution No. 38-T., dated the 10th April. In each case the first stage of the enquiry is to obtain from the manufacturing firms in the industry concerned a full statement of the grounds on which protection is claimed. The second stage is the publication of the evidence, both written and oral, tendered by

the applicants for protection, and the third stage is to receive the evidence of all who wish to be heard regarding the claims made, after they have had an opportunity of studying the published evidence.

2. Of the five industries mentioned in the Commerce Department Resolution, the boot and shoe industry is no longer before the Board, since the only firm which had asked for protection withdrew its application, and in two of the industries (printer's ink and magnesium chloride) only a single firm carries on the manufacture. The two most important enquiries, therefore, with which the Board has been charged are paper and cement. The works of the paper manufacturing firms are situated in Bengal, Bombay, the United Provinces, Madras and the Punjab, while the cement firms are scattered over Northern India, in the Punjab, the Central Provinces, Bihar and Orissa, Rajputana, Gwalior and Kathiawar. The Board were anxious to complete the first stage of these enquiries as soon as possible, and it was obvious that, if the oral evidence of each of the manufacturing firms was taken locally, a great deal of time would be taken up in travelling. In that case, the publication of the evidence would have been retarded to such an extent that it would be impossible to complete the enquiries within a reasonable period. On this account the Board decided that all the oral evidence during the first stage of the enquiry should be taken at Simla, the headquarters of the Board. It appeared to them reasonable that the manufacturing firms should conform to a procedure designed to expedite the Board's enquiries, since they themselves must naturally desire the earliest possible decision. In each industry one or two firms were not asked to tender evidence at this stage, either because of their remoteness from Simla, or because they were relatively unimportant.

3. The Board have found the greatest difficulty in coming to arrangements with the manufacturing firms as to the dates on which their representatives would attend for oral examination, and it does not appear that the firms realise how the Board's work must be retarded if the preliminary stage cannot be completed expeditiously. The oral examination of the representatives of the paper manufacturing firms was provisionally fixed for the week ending the 21st June and on the 16th May the firms were asked to give the Board the earliest possible intimation of their intention to appear. Of the three Calcutta firms, with which the application for protection originated, the Indian Paper Pulp Company wrote on the 28th May explaining that they could not send representatives in the week selected by the Board, and asked for a date after the 1st July, preferably about the 15th. No reply was received from either of the other two firms until the 6th June when a letter was received from the Indian Paper Makers' Association (of which both are members) asking for an extension of the time for submitting replies to the questionnaire, and also that the evidence of the Association and its members might be taken in Calcutta. On the 10th June the Association were informed by telegram that the Board had extended the time for submitting replies until the 25th June, and the 3rd, 4th

and 5th July were fixed for the oral evidence of all three firms. The reasons why the evidence could not be taken at Calcutta were fully explained by letter. No reply was received as to these dates until the 21st June and then only in response to a telegraphic reminder. The final result was that one firm accepted the dates fixed by the Board and two were unable to do so.

4. * * * * *

5. The Board consider that in justice to themselves and to the industries whose applications have been, or may be, referred to them, the position should be clearly defined. The public expect, and are entitled to do so, that the Board will deal expeditiously with the questions made over to them, but equally both the public and the Board are entitled to expect that manufacturing firms who have asked for protection will co-operate with the Board to that end. When the Board are dealing with several industries simultaneously the arrangements for the various enquiries are inter-dependent, and any change in the dates fixed for one industry dislocates in the programme fixed for the others. At the present time, owing to the difficulty found in fixing the dates for oral examination of the manufacturing firms, the Board are still unable to fix their tour programme for the rains. They cannot commence to hear the evidence tendered by members of the public regarding any industry, until a reasonable interval after the publication of the evidence of the applicants, and obviously until the dates for oral examination have been settled, the date for publishing the evidence cannot be fixed, even approximately.

6. Manufacturing firms applying for protection have in effect asked for a substantial subsidy at the expense of the tax-payer. It rests with them, therefore, to justify fully the claim put forward in accordance with the general principle accepted by the Government of India and the legislature. This cannot be done effectively unless the written statements submitted to the Board are supplemented by oral evidence on behalf of, at any rate, the principal firms engaged in the industry. If firms who have applied for protection are disinclined to tender oral evidence, the only inference the Board can draw is, that either they are not deeply interested in the grant of protection, or that they are doubtful of their ability to make good their case. In addition, it is incumbent on manufacturing firms, if they regard the grant of protection as an urgent matter, to conform as far as possible to the dates and places fixed by the Board for the examination of witnesses because, unless this is done, the Board's enquiries will be greatly prolonged. If a particular firm is unable to send its representatives for oral examination at the time and place provisionally fixed, and fails—as the paper and cement manufacturing firms failed—to inform the Board of the fact until the eleventh hour, the responsibility for the inevitable delay will rest solely on its own shoulders. If, as a result, the Board find it necessary to recast their programme, they will endeavour to make their arrangements so that only the enquiry into the industry in which the firm is engaged, is affected, and the inevitable delay does not extend to the enquiries into other industries. Inability on the part of firms to

present their case with promptitude, or to co-operate with the Board in the conduct of its enquiries may be of grave prejudice to the interests of the industry concerned.

No. 3.—Press Communiqué, dated the 8th September 1924.

In a Communiqué, dated the 17th April 1924, the Tariff Board outlined the procedure they had decided to adopt in the enquiries into the industries referred to them in the Resolution of the Government of India in the Commerce Department No. 38-T., dated the 10th April 1924. The first stage was to obtain the evidence of the applicants for protection and the second to publish this evidence—whether written or oral—so that all interested might give their opinions after they had had an opportunity of considering the case put forward. The evidence tendered by the applicants for protection has now been published, and also the evidence of the Government experts at the Forest Research Institute, Dehra Dun, the replies received from Local Governments to the enquiries addressed to them, and one or two miscellaneous representations. Copies may be obtained from the Manager, Central Publication Branch, 8, Hastings Street, Calcutta, price two rupees.

2. Replies to the Board's questionnaire have now been received from the following paper manufacturing firms:—

1. Upper India Couper Paper Mills Company, Limited.
2. Bengal Paper Mill Company, Limited.
3. The Titaghur Paper Mills Company, Limited.
4. India Paper Pulp Company, Limited.
5. Punjab Paper Mills Company, Limited.
6. The Carnatic Paper Mills, Limited.
7. The Deccan Paper Mills Company, Limited.

The written evidence of Nos. 1 to 7 are now published, together with the oral evidence given by the representatives of Nos. 1 to 4. The oral evidence of the other paper manufacturing companies will be taken at a later stage of the enquiry.

3. The present duty on imported paper is at the rate of 15 per cent. For certain kinds of paper tariff valuations are fixed from time to time, and on the remainder the duty is levied *ad valorem*. The proposal originally placed before the Board was that the duty on all kinds of imported paper should be increased to 25 per cent., but it was suggested that licenses might be issued to newspapers to import news-print made from mechanical wood pulp on payment of the present rate of the duty. In a letter dated the 30th August 1924, however, three of the principal paper manufacturing concerns have informed the Board that they do not now ask that any additional protective duty should be imposed on mechanical news-print. To this extent, therefore, the original proposal has been modified. Apart from the proposed duty on paper, the Indian Paper Pulp Company have asked that a pro-

ductive duty of 20 per cent. should be placed on imported wood pulp which is at present admitted free of duty. It is claimed that pulp made from bamboo can replace wood pulp for all purposes in the manufacture of paper, and some of the principal manufacturing concerns have accepted this proposal subject to the condition that sufficient time is given them to equip themselves for the manufacture of wood pulp.

4. The Board will be glad to receive written representations from all Public Bodies, Associations, firms or persons who desire to be heard regarding the grant of protection to the Paper industry.

Oral evidence will be taken as follows:—

At Bombay and Poona between the 23rd September and the 29th October.

At Madras between the 1st and the 14th November.

At Rangoon between the 19th November and the 2nd December.

At Calcutta between the 5th and the 23rd December.

5. Oral evidence will not be taken at Madras and Rangoon unless a sufficient number of witnesses is forthcoming to make it worth while for the Board to visit these places. Although the evidence taken in the Board's enquiries into the Cement, Printer's Ink and Magnesium Chloride industries was published at the end of July, only one or two applications for taking oral evidence at Madras or Rangoon have yet been received. It is essential that all who desire to give oral evidence at either place should inform the Board by the 30th September, so that the programme may be definitely fixed and should submit their written representations as soon thereafter as possible, and in any case not later than the 15th October. If the visits to Madras and Rangoon are abandoned, oral evidence will be taken at Calcutta in November instead of in December. It is hoped that all who desire to give oral evidence in Bombay regarding the paper industry will inform the Board not later than the 15th September and will send their written representations as soon as possible thereafter. The Board will arrange dates for the oral examination of witnesses from the Western side of India either at Bombay in the last week of September or at Poona in October.

All who desire to give oral evidence at Calcutta should inform the Board not later than the 15th October and should send their written representations by that date. All other written representations should reach the Board by 31st October at latest.

6. All requests for oral examinations should be addressed to the Secretary to the Board, Town Hall, Bombay, and should be despatched so as to arrive on or after the 8th September, the date on which the Board's office will open at Bombay.



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QUESTIONNAIRE ISSUED TO THE MANUFACTURING FIRMS WHO APPLIED FOR PROTECTION.

I.—INTRODUCTORY.

1. When was the firm which you represent established? Is it a public or private registered Company, or is it an unregistered firm?

2. To what extent is the capital invested in your firm held by Indians? How many Indians are Directors? How many Indians (if any) form part of the superior management?

3. Does your firm undertake the manufacture of paper only, or of pulp only, or of both paper and pulp? If both pulp and paper are manufactured, is pulp manufactured for sale or only to the extent necessary to meet your own requirements?

4. At what date did the mill (or mills) under the control of your firm commence to manufacture?

5. What is the full capacity of your mills as at present equipped for the manufacture of (a) pulp and (b) paper?

6. What has been the actual output of the mill for each year since manufacture commenced of—

(a) paper, if your production of pulp is limited to your own requirement,

(b) pulp, if pulp is manufactured for sale?

7. Where is your mill situated? Do you consider it is advantageously situated in respect of—

(a) vicinity to the areas from which your principal raw materials are drawn*;

(b) vicinity to the coalfields or other sources of power or fuel;

(c) vicinity to an important market;

(d) other considerations such as the existence of an abundant labour supply?

What do you consider the most important factor in selecting the site of a paper mill in India?

8. Enumerate the various kinds of paper which are manufactured in your mill. Taking the average of the last five years, what is the percentage of the total output which each kind represents?

9. What are the principal trade classifications of paper? Would the kinds of paper you manufacture be classified as (a) good, (b) medium or (c) inferior? In view of the raw materials obtainable in India and the Indian demand, for the manufacture of what classes of paper are the conditions most favourable?

* See heading of Section II (A).

10. Do you manufacture a larger variety of papers than a single manufacturer in Western countries commonly does? If so, please explain the reasons. Do you consider the Indian manufacturer is at a disadvantage in this respect?

11. What process do you use for the manufacture of pulp?

II.—RAW MATERIALS.

A.—Primary.

The term "Primary raw materials" covers the various products (*e.g.*, grass, bamboos, rags, etc.) from which the fibre is obtained. Some of the questions in this section relate also to the pulp which is purchased and not manufactured in the mill.

12. What are the primary raw materials used in your mill?

13. What are your annual requirements of each of the primary raw materials—

(a) according to your present rate of output, which should be stated;

(b) according to the rate of output equivalent to the full capacity of the plant?

14. What quantity of each of the primary raw materials is required for the production of one ton of unbleached pulp?

15. What quantity of unbleached pulp is required for the production of one ton of finished paper?

16. Can you give an approximate estimate of the total quantity available of your primary raw materials, either for India as a whole or for a particular Province?

17. From what area or areas does the factory draw its main supplies of the primary raw materials, and at what distance from the factory are they situated? If possible a map should be given showing the site of the mill and the areas from which supplies are drawn.

18. How is the raw material collected and by what means is it transported from the field or forest to the mill? If more than one means of transportation is employed, specify the distance covered by each such means.

19. What royalty (if any) per ton for raw materials is payable to Government or to private persons?

20. Please give the cost per ton delivered at the mill, of the primary raw material (or materials) for the year 1913-14 and the last complete year for which figures are available, divided under the following heads:—

(1) Royalty (if any).

(2) Labour employed on extraction and collection.

(3) Freight from field to mill by

road
rail
river
sea
other

(4) Miscellaneous charges.

21. What are the terms of your concession (or concessions) for the primary raw material? (A copy of the lease or other document in which the concession is embodied should be given.) Do you consider these terms favourable? If not, in what respect do you consider them unfavourable?

22. Have you found the supply of the raw material constant in respect of quality, or have you noticed, or do you expect, any deterioration? In the latter case, the causes to which the deterioration is ascribable should be explained.

23. Has the supply of the primary raw materials been found constant in respect of quantity, or has it been found necessary to draw supplies from greater and greater distances as time goes on? If so, do you consider the fact is due to—

- (a) an increase in the output of the factory, or
- (b) the establishment of other mills which compete for supplies of the same raw material, or
- (c) a gradual diminution of the supplies within the areas from which they are taken, or
- (c) any other cause?

24. If, as suggested in the last question, it has been found necessary to draw supplies from new areas, please supply a statement giving for each of the last twenty years the total quantity taken from each area. If possible, the cost per ton delivered at the mill of the supplies from each area should be given for each year.

25. Do you consider that your mill is assured of a sufficient supply of the primary raw materials for a reasonably long period? What measures have been taken to secure this object?

26. If *sabai* grass is one of the primary raw materials used in your mill, do you agree with the following opinion expressed by Mr. R. S. Pearson before the Fiscal Commission?

“Dealing with supplies, I do not quite agree that they [*i.e.*, the manufacturers] were correct in their statement. They have hardly got sufficient grass to work up to their full capacity. They could not increase 5,000 tons on their present output if they were asked to do so. In other words, they have not got the raw material. If they want to expand, it might be done by importing sulphide spruce or by using other new materials. Another point is that during the last ten or twelve years there has been intensive cropping

and the grass has deteriorated considerably. That is the reason they are now going all so far afield to get their supplies, the fields nearer being very much depleted. It is, therefore, questionable whether the pulp industry which has been going on for 40 or 50 years could really continue, even if the paper-making industry did not expand at all. I know that they have now to go to Hoshangabad, Central India, Sambalpore, etc., in Bihar and Orissa and the Punjab. Raw material is not easily available and they are paying Rs. 2 per maund for it landed in Calcutta."

27. Would it be possible to increase the supply of *sabai* grass materially by opening out new areas without the cost of transport becoming prohibitive? If not, does the expansion of the industry depend on the use of other materials?

28. What has been your experience of the use of bamboos for the manufacture of pulp?

29. Do you consider that the existence of large forests of bamboos gives this country an advantage in the manufacture of pulp as compared with other countries?

30. So far as India is concerned, how does the bamboo compare with *sabai* and other grasses in respect of—

- (a) the quantities available,
- (b) continuity of supply,
- (c) accessibility of supply,
- (d) cheapness,
- (e) quality of the pulp manufactured?

What are the primary classes of bamboo you consider suitable for the manufacture of pulp?

31. Apart from *sabai* grass, are there any other grasses in India which are suitable for pulp manufacture? How do they compare with *sabai* grass in respect of the points mentioned in question 30?

32. Are rags available for your purposes in sufficient quantities and at a reasonable cost?

33. Have you experienced any difficulty in obtaining forest leases or concessions for the collection of your primary raw materials? If so, what was the nature of the difficulty?

34. Do you find it necessary to import any quantity of:—

- (a) your primary raw materials,
- (b) foreign pulp?

If so, are the importations required merely to supplement the domestic supplies or for the production of special kinds of paper? From what countries do you import, and at what prices? If possible please give:—

- (i) f.o.b. price per ton (in sterling),
- (ii) port of importation,
- (iii) freight, insurance, etc.

- (iv) landing charges,
- (v) transport charges to mill,
- (vi) customs duty (if any).

35. Do you get any special freight rate by sea, river or rail for your primary raw materials? Do you consider you are at any disadvantage in this respect?

B.—Auxiliary.

The term "auxiliary raw materials" covers lime, all chemicals and dyes, and consumable stores and generally all raw materials other than the primary raw materials and purchased pulp.

36. What are the chief auxiliary raw materials used in your mill, and what are your total requirements of each in one year?

37. What quantity of each of the chief auxiliary raw materials is required—

- (a) per ton of unbleached pulp, if you are manufacturing pulp for sale?
- (b) per ton of finished paper, if you are manufacturing paper?

38. Which of the chief auxiliary raw materials are—

- A. Imported from abroad?
- B. Manufactured and purchased in India?
- C. Manufactured by you from other materials?

In case A, please give—

- (a) country of origin,
- (b) f.o.b. price (in sterling),
- (c) port of importation,
- (d) freight, insurance, etc.,
- (e) landing charges,
- (f) transport charges to mill,
- (g) customs duty,

In case B, please give—

- (a) market price,
- (b) transport and other charges,

and state where and by whom the materials are manufactured.

In case C, please give the particulars asked for under A or B for the materials purchased, and the cost of manufacture in your mill according to the customary unit of production.

39. Which of the materials mentioned in the answer to question 36, if not already manufactured in India,

- (a) are likely to be manufactured?
- (b) are not likely to be manufactured?

Please state the reasons for the opinion given.

III.—LABOUR.

A.—Field labour.

40. How many labourers are employed in extracting and collecting your primary raw materials in the field or forest? Please give for the year 1913-14 and the last complete year for which figures are available:—

- (a) the total wages bill for such labour,
- (b) the average wages per man.

The increases in the rates of wages between the two years should be stated, and the dates when they were given.

41. Have you any difficulty in obtaining such labour? If so, what?

42. Is the labour indigenous, or has it to be imported from other parts of India? Whether the one or the other, is it always available in sufficient quantities?

43. Does this labour require any special training? If so, is it readily trained?

B.—Mill labour.

44. Do the processes of manufacture require much expert supervision involving the employment of skilled labour imported from abroad?

45. What number of imported labourers are employed at present and what would be the number required if the factory were worked to full capacity?

46. What progress has been made since the factory was established in the substitution of Indian for imported labour? Is it anticipated that eventually the employment of imported labour will be unnecessary? What facilities are given to Indian workmen to acquire training in skilled work or for training apprentices?

47. How do the rates of wages paid to imported workmen compare with the rates paid for similar work in other countries?

48. What is the total number of Indian workmen employed and what are the average rates of wages of the different classes?

49. Please give for the year 1913-14 and the last complete year for which figures are available:—

- (a) the total wages bill for Indian mill labour,
- (b) the average wages per man in the different classes.

The increases in the rates of wages between the two years should be stated and the dates when they were given.

50. Is the Indian labour force sufficient? Is it drawn from the vicinity of the factory or from other parts of India?

51. Has it been found that the Indian labourer improves with training? How does his efficiency compare with that of workmen in Western countries employed on similar work?

52. What arrangements have you made for housing your labour and for promoting its welfare in other directions?

IV.—POWER (INCLUDING FUEL).

53. Is the power used in the factory derived from electricity, or steam, or from some other source?

54. If electric power is used, from what source is it obtained and what is the cost per unit? How does the cost compare with the rates obtained elsewhere in India and in other countries?

55. If steam power is used, is coal the fuel employed? If not, what is the fuel? Is the latter available in sufficient quantities?

56. What is the total quantity of fuel required per unit of output whether for power production or for other purposes, for (i) pulp and (ii) paper?

If you purchase electric current from an outside supply, please give also the number of units required per unit of output in addition to the fuel used.

57. From what distance is the fuel brought, and what is the free-on-truck price in the case of coal, and in the case of other fuel at the source of supply? And what is the cost of transport per ton in each case? If fuel is purchased locally, what is the price per ton delivered at the mill?

58. Do you own or control your own sources of supply of fuel? If so, how many years' supply have you of the kind of fuel used by you?

59. If your fuel is wood, have you obtained any concession from the Government or other person? What is the royalty payable, and what are the conditions of the concession? (Supply a copy of your concession.)

V.—MARKET.

A.—For paper.

60. What is the total Indian production of paper (excluding hand-made paper) so far as it can be ascertained or estimated for the following periods:—

1909-10.

1910-11.

1911-12.

1912-13.

1913-14.

Average of the last five pre-war years.

1920-21.

1921-22.

1922-23.

1923-24.

Average of the four post-war years.

61. What do you estimate is the total Indian demand for—

- (a) paper of all kinds;
- (b) such kinds of paper as are, or are likely to be, manufactured in India?

62. Is it likely that the Indian demand will substantially increase in the near future? If so, what are the reasons for your belief?

63. In what parts of India are your principal markets situated, and what are the distances which separate them from the mill?

64. Are there any markets in India in which, owing to their distance from the ports, you are more easily able to compete against the foreign manufacturer? If so, please state which these markets are, and the approximate demand in each.

65. Do you consider that the export of paper from India to any foreign countries is probable? If so, to what countries and what kinds of paper? Can you form any estimate of the quantities which India might eventually be able to export?

66. Is the paper manufactured by you purchased by (a) Government and (b) Public bodies, such as Municipalities and Port Trusts? If so, please state the extent of their purchases and the prices paid during—

- (i) the war period,
- (ii) each of the last five years.

Were the prices received by you during the war the market prices then prevailing?

67. Is the paper manufactured by you consumed by newspapers? If so, what is the extent of their demand? If not, what are the reasons?

B.—For pulp.

The questions in this section are intended mainly for those firms which manufacture pulp for sale, or are likely to do so.

68. Do you consider that the manufacture of pulp by firms in India for sale, and not for consumption in their own paper mills, is likely to establish itself and develop?

69. Please state the quantities of pulp (if any) which you have sold in each of the last ten years.

70. Do you ascribe the present importations of foreign pulp to the inadequacy of the domestic supply of raw materials, or to the unsuitability of pulp made from Indian materials for certain kinds of papers? To what extent do you consider that the present importations of pulp could be replaced by pulp produced in India?

71. What do you estimate is (a) the present, (b) the possible domestic market for India pulp? For what kinds of pulp is there a market in India at present?

72. Do you consider that the export of pulp from India to any foreign countries is probable? If so, to what countries and what kinds of pulp? Can you form any estimate of the quantities India might eventually be able to export?

VI.—FOREIGN COMPETITION.

Paper.

Separate questions have not been framed with regard to foreign competition in pulp. The questions in this section indicate the points which are considered important, and in so far as they are relevant, *mutatis mutandis*, to the conditions in the pulp industry, the Board would be glad to have the observations of the firms which manufacture pulp for sale.

73. Which are the foreign countries from which competition in the Indian markets is keenest?

74. Is the competition keener in some kinds or qualities of paper than in others? If so, please specify these kinds and qualities.

75. From what raw materials are the kinds of paper made which are imported into India and compete with the paper manufactured by you?

76. Please state in respect of those kinds of paper which form the bulk of your output—

(i) The prices at which imported paper has entered the country and been sold during:—

(a) 1912, 1913 and 1914,

(b) 1917 and 1918,

(c) 1921-22, 1922-23 and 1923-24.

(ii) The prices realised by you for the same kinds.

If possible the f.o.b. price (in sterling) of imported paper should be given and the following items shown separately:—

Freight.

Insurance and trade charges.

Customs duty.

Landing charges.

If this is not possible, then state the c.i.f. price *plus* Customs duty and landing charges.

77. From what sources is information obtainable as to the prices at which imported paper enters the country? How far do you consider the information obtained from these sources reliable?

78. How far are the quotations in the Trade Journals in accord with the prices at which transactions actually take place? To what extent do such quotations form the basis of the terms on which you yourself do business? Are the prices at which paper is actually exported appreciably below the home prices quoted in foreign Trade

Journals? If so, by what percentage approximately should the quoted price be reduced?

79. Have you any reason to suppose that prices at which foreign producers sell for export to India are unremunerative, *i.e.*, below the cost of production, or leaving only a small margin of profit to the producer? If so, please state fully your reasons and the evidence on which you rely.

80. In which of the Indian markets is foreign competition keenest?

81. To what causes do you attribute the low prices at which foreign paper has entered India since the war? How far do you consider these causes permanent or temporary?

82. Please compare the freight you have to pay to reach your markets in India with the total freights—sea and rail—payable on imports to the same markets.

83. Compare the Railway freight paid by importers from the ports to selected up-country markets and the Railway freights paid on the produce of your mill to the same markets.

N.B.—What is desired is concrete instances giving the name of the port, the names of the up-country stations, the distances, rates per maund per mile, etc.

84. Have any instances recently come to your notice in which Continental paper has been re-exported from the United Kingdom as British manufactures? If so, please give the evidence on which you rely, and state whether you ascribe the fact to depreciated exchanges or to other causes.

85. Do you consider that, as compared with the foreign manufacturer, the Indian manufacturer is at a disadvantage in all or any of the following points—

- (a) the cost of plant and machinery,
- (b) the cost of expert labour,
- (c) the cost or efficiency of ordinary labour,
- (d) the collection and transport of the primary raw materials,
- (e) the cost of auxiliary raw materials and consumable stores,
- (f) freights on finished goods,
- (g) the maintenance of stocks of spare parts,
- (h) customs duty on imported materials,
- (i) the raising of capital.

Where possible definite figures should be given, *e.g.*, comparing the cost of plant and machinery erected in India with the corresponding cost in Western countries, or comparing the wages of imported expert workmen in India with the wages they would draw in their own countries. If there are "seasonal" difficulties in connection with the collection and transport of the primary raw materials these should be explained.

86. Which of the disadvantages mentioned in your answer to question 85 do you regard as permanent and which as temporary?

For what period in your opinion are the temporary disadvantages likely to operate?

VII.—EQUIPMENT.

87. Do you consider that your mill is sufficiently large as an economic unit of production to ensure economy? What in your opinion is the smallest unit of production which can be operated economically under present-day conditions?

88. Does the manufacture of (a) pulp and (b) paper require the use of elaborate and expensive machinery?

89. What percentage of your total capital outlay has been incurred on plant and machinery?

90. Give a brief description of your plant and machinery, stating the number and makes of the principal machines operated, and the dates on which they were first brought into use.

91. Do you consider your machinery and other equipment sufficiently up-to-date and efficient to enable you to compete successfully against the foreign manufacturer?

92. Is it a fact that during, and since, the war many improvements have been effected in pulp and paper-making processes and machinery?

93. Have you, since 1914, adopted any new processes of manufacture, or have you installed new plant and machinery in replacement of, or in addition to, the old plant? If so, give a brief description of them and state whether the results have fulfilled the expectations entertained.

94. Do you contemplate either:—

(a) any important replacement of the existing plant in your mill, or

(b) any extension of the plant by the addition of new machinery?

If so, please give particulars.

95. What parts of the machinery, if any, are made in India?

VIII.—CAPITAL ACCOUNT.

96. What is the block value of your property, as it stood in your books at the end of the last complete year for which figures are available, under the following heads:—

(a) Leases and concessions.

(b) Lands.

(c) Buildings.

(d) Plant and Machinery.

(e) Other miscellaneous assets.

97. Do the figures given in answer to question 96 represent the actual cost of the various assets, or their value after depreciation has been written off? In the latter case, please state the total amount written off for depreciation since manufacture commenced, and in the former case the total of the depreciation fund (if any) which has been accumulated.

98. Apart from any question of an increase in the replacement cost of plant and machinery due to a general rise in the price level, are the sums actually set aside for depreciation since manufacture commenced equal to, greater than, or less than, the sums which ought to have been set aside according to the rates of depreciation which you consider suitable? (See Question 116.)

99. What do you estimate would be the present-day cost under the heads (a) buildings, and (b) plant and machinery, of erecting a mill having the same output as your present mill? How does the figure compare with the block value of your present mill under the same heads, and would the operating cost of a new mill established now be greater or smaller than yours?

100. Give brief particulars of the sums spent on the purchase of plant and machinery in each of the years 1917 to 1924, and the rate of exchange at which funds were remitted.

101. What is the total (a) authorized, (b) subscribed, (c) paid-up capital of the Company? How is it divided between Preference, Ordinary and Deferred shares?

102. At what rate of interest is the dividend payable on the Preference shares? Are these shares entitled to cumulative dividends? If so, state the dates on which they were first entitled to rank for dividends and whether any dividends are in arrears.

103. Under what conditions do the Deferred shares participate in the profits of the Company?

104. Please prepare a statement showing for each year since the establishment of the Company—

- (a) The amount of the paid-up share capital (Preference, Ordinary and Deferred) ranking for dividend,
- (b) The actual amounts distributed as dividends on each class of capital, and
- (c) The percentage on the paid-up share capital of each class which the dividend represented.

105. What is the average rate of dividend on the Ordinary shares for the full period?

106. What is the amount of the debenture loans (if any) raised by the Company? At what dates were they issued, and what is the rate of interest payable? If any period has been fixed for the redemption of the debenture loan, it should be stated. Similarly, if a debenture sinking fund has been established, the annual rate of contribution should be given.

107. What is the amount of the Reserve Fund (if any) created by the Company? Has this amount been accumulated from surplus profits, or from other sources, *e.g.*, by the issue of shares at a premium?

108. What additional capital (if any) would it be necessary to raise in order to carry out any scheme of replacement or extension of plant which the Company contemplate?

IX.—COST OF PRODUCTION.

The cost of production falls under two heads:—

- (a) Works costs, and
- (b) Overhead charges.

The latter head—overhead charges—includes:—

- (i) Interest on working capital.
- (ii) Depreciation.
- (iii) Head office expenses and Agents' commission.

The head "Works Costs" covers all other expenditure on the production of pulp or paper. The dividends on share capital are not included in the cost of production, nor is the interest on debenture and other loans in so far as the sums so raised have been devoted to fixed capital expenditure.

(a) WORKS COSTS.

109. Please fill up the five Forms annexed to the questionnaire regarding Works Costs.

The following explanations may be useful:—

- (a) The Board are anxious to have as full information as possible regarding the cost of production, but they recognise the difficulty which manufacturers may feel in disclosing to the public the details of their practice and their works costs. Great stress was laid on the importance of publicity in paragraph 303 of the Fiscal Commission's Report, and the Board also have explained the views they hold in paragraph 41 of their Third Report on the Grant of Protection to the Steel Industry. It rests with the manufacturers themselves to decide what information can be given publicly, and nothing will be published which the witness desires to be treated as confidential. At the same time, the Board cannot base their recommendations merely on confidential information. The publication of the details of the works costs of each firm may not be essential because the Board may be able by comparison of the various figures submitted to arrive at a standard or average figure for each item. But it is very

desirable that the total of the works costs should be disclosed in all cases.

- (b) The five Forms in which it is desired that the figures should be compiled have been drawn up in order that the figures given by different firms may be comparable. In Form I the actual expenditure of the year under the various heads should be shown, whereas in the other four forms it is the cost per unit of output that is desired. Forms II, III and IV are concerned with the three stages of the manufacture of paper from the raw materials. The final product of the first stage (unbleached pulp) becomes the raw material of the next, and similarly the final product of the second stage (bleached pulp) becomes the raw material of the third. It is hoped that the manufacturers will be able to furnish statements of Works Costs divided over the three stages in this way, but if the system of accounting renders this difficult, the second stage may be omitted and only Forms II and IV filled up. Some of the heads included in all the forms cannot be assigned to one stage rather than another except by some system of allocation, and the percentage of the total expenditure under such heads allocated to each stage should be given. Form V should be filled up by the firms which manufacture their own chemicals, or some of them.
- (c) The years for which figures have been asked for are 1913-14, 1921-22, 1922-23 and 1923-24. If, however, for any reason 1913-14 is not regarded as typical of the pre-war period, the figures of an earlier year may be taken. For the post-war period, the figures of the last three complete years for which figures are available should be taken.
- (d) The figure given against primary raw materials, auxiliary raw materials, or purchased pulp should be the cost delivered at the mill and will include the cost of all labour employed in collection or transport. The cost of such labour therefore is necessarily excluded from the item "Labour" in the forms. Similarly in Form III the cost of manufactured unbleached pulp should be the cost per ton given in Statement II multiplied by the quantity required to secure an output of one ton of bleached pulp. The same explanation applies, *mutatis mutandis*, to Statement IV. The cost above materials at each stage includes only the costs actually incurred at that stage or, if the expenditure is not directly incurred at one stage rather than another, then the share of such expenditure determined by the system of allocation.

(e) If at any stage of the process of manufacture materials are recovered and can be used again, the credits taken for such recoveries should be entered in the forms, and the manner in which such credits are taken explained.

(f) In Forms I to V, Power and Fuel are shown as one item, but it is preferable (if possible) that they should be shown separately.

110. Was the works cost increased in any of the years for which figures have been given owing to the fact that the mill was working at less than its full capacity? If so, which were the items principally affected? To what extent would they probably have been reduced if a full output had been obtained?

111. Do you regard the works cost of the last year for which figures have been given as abnormally high for any other reason? If possible, furnish an estimate of the works cost for some future year on the assumption that—

(a) conditions are normal,

(b) an output is obtained equivalent to the full capacity of the plant.

112. Have you adopted a system of cost accounting? If so, will you place before the Board, for examination and return, your cost sheets for the last complete year for which they have been prepared?

113. Are you in a position to furnish the Board with information as to the works costs of pulp and paper in any competing country for any year since the war?

(b) OVERHEAD CHARGES.

(i) Depreciation.

114. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider that, in calculating the cost of production of pulp and paper, these rates of depreciation are suitable? If not, what rates do you suggest, and why?

115. What is the sum required annually for depreciation at Income-tax rates on the total block account—

(a) if the assets are valued at cost,

(b) if the assets are taken at their value after deducting all depreciation written off up-to-date?

The depreciation should be shown separately for:—

Buildings.

Plant and machinery in continuous operation.

Other plant and machinery.

Other assets.

If you consider that rates other than the Income-tax rates should be adopted, please calculate the sums required annually for depreciation at these rates also.

116. Taking the figures given by you in answer to question 99 as the present-day cost of the buildings and machinery required for a mill having the same output as your present mill, calculate the sum required annually for depreciation at Income-tax rates and at the rates you consider should be adopted if you think the Income-tax rates are unsuitable.

117. Taking the total amount of depreciation to be written off according to the various methods given in questions 115 and 116, what is the incidence per ton of finished paper (or pulp, if only pulp is manufactured by you):—

- (a) according to the present output of the mill (which should be stated),
- (b) according to the output equivalent to the full capacity of the plant?

(ii) Working Capital.

118. What is the working capital which the Company requires—

- (i) according to its present output, and
- (ii) according to the output equivalent to its full capacity?

119. Is the Company able to provide all the working capital it requires from share and debenture capital, or is it necessary to borrow additional capital for this purpose?

120. If additional working capital has to be borrowed, what is the amount borrowed and the rate of interest payable?

121. Compare the working capital with the cost of one month's output (works cost only, excluding overhead charges).

122. What is the average value of the stocks of finished goods held by the Company? What period normally elapses between production and payment?

123. Do the Company find it necessary to hold large stocks of coal or raw materials? If so, the average value of the stocks held should be stated.

(iii) Agents' Commission and Head Office expenses.

124. Has the Company a head office other than the office of the local management? Is it under the control of a firm of Managing Agents?

125. If the answer to (a) is in the affirmative, state:—

- (i) the annual amount of the head office expenses,
- (ii) the Agents' commission.

126. How is the amount of the Agents' commission determined?

127. What is the cost of:—

- (i) head office expenses,
- (ii) Agents' commission.

per ton of finished paper (or pulp, if only pulp is manufactured) according to:—

- (i) the present output;
- (ii) the output equivalent to the full capacity of the plant?

X.—MANUFACTURER'S PROFITS.

128. What rate of dividend do you consider a fair return on Ordinary and Deferred shares?

129. If your Company contemplated the establishment of a new paper mill, or the purchase of new machinery for the existing mill—whether by way of extension or replacement—what rates of interest do you consider it would be necessary to offer on (a) Preference shares and (b) Debentures in order to attract capital, assuming that the profits made in the industry showed a substantial margin after providing the interest on the existing shares or debentures?

130. If it were decided to issue Ordinary shares, what do you consider would be the minimum probable return which would be likely to attract investors?

131. What is the incidence per ton of paper (or pulp, if paper is not manufactured by you) of:—

- (a) the fair return on the Ordinary and Deferred shares as given in answer to question 128,
- (b) the full dividends on the paid-up Preference shares,
- (c) the full interest on the debentures in so far as the proceeds of the debentures have been devoted to fixed capital expenditure and not used as working capital?

N.B.—The figure should be given both on the present rate of output and the output equivalent to the full capacity of the plant.

XI.—CLAIM FOR PROTECTION.

132. In paragraph 97 of their Report, the Fiscal Commission laid down three conditions which in ordinary cases ought to be satisfied by industries claiming protection. Do you consider that those conditions are satisfied in the case of ^{the paper industry} ^{the pulp industry}? And in particular:—

- A. Do you claim that the industry possesses natural advantages, such as an abundant supply of raw materials, cheap power, a sufficient supply of labour or a large home market?
- B. Do you claim that, without the help of protection, the industry is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country?

C. Do you claim that the industry will eventually be able to face world competition without protection?

These conditions have been approved by the Government of India and by the Legislative Assembly, and it is therefore of great importance to ascertain whether they are satisfied. If you consider that ^{the paper industry} ~~the pulp industry~~ fulfills these conditions, the reasons for your opinion should be fully explained.

133. Do you claim that ^{the paper industry} ~~the pulp industry~~ satisfies either or both of the conditions mentioned in paragraph 98 of the Fiscal Commission's Report, viz.—

- (a) That the industry is one in which the advantages of large scale production can be achieved, and that increasing output would mean increasing economy of production?
- (b) That it is probable that in course of time the whole needs of the country could be supplied by the home production?

134. Do you consider that ^{the paper industry} ~~the pulp industry~~ is of importance on national grounds and therefore deserves protection apart from economic considerations?

135. Do you consider that there are any features of the industry which make it peculiarly suitable to Indian economic conditions?

136. Do you claim that protective duties should be imposed on ^{paper of all kinds} ~~pulp of all kinds~~ or only on such kinds as compete with Indian products? In the latter case, please specify clearly the kinds of ^{paper} ~~pulp~~ on which you desire that protective duties should be imposed. Can these kinds be readily distinguished for Customs purposes from other kinds?

137. What special measures (if any) do you suggest to safeguard paper or pulp industries against underselling by reason of:—

- (a) depreciated exchanges,
- (b) subsidized freights,
- (c) any cause other than a reduction in the foreign cost?

138. What is the amount of protection the industry receives at present owing to—

- (a) the existing Customs duties,
- (b) transport charges between the country of production and the port of entry, i.e., freight, insurance, trade charges and landing charges?

139. What is the amount of the protection which you consider necessary?

N.R.—The reasons for proposing the particular rate recommended should be explained.

140. The paper industry has been in existence in India for a number of years. How is it that the industry is still in need of protection?

141. Protection has been claimed both for finished paper and for pulp. Do you consider that there is any conflict between these two claims, and, if so, how do you propose that they should be reconciled? From the national point of view which do you consider the more important?



सत्यमेव जयते

FORM I.

Statement showing the total expenditure incurred on the production of ^{paper}pulp during certain years.

(See question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Primary raw materials				
(2) Purchased pulp				
(3) Auxiliary raw materials				
(4) Mill labour				
(5) Power and fuel				
(6) Ordinary current repairs and maintenance of buildings, plant and machinery.				
(7) General services, supervision and local office charges.				
(8) Miscellaneous, <i>e.g.</i> , rent, municipal taxes, insurance, etc.				
(9) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.				
Total				
Total production of paper (or pulp, if paper is not manufactured) for the year.				

FORM II.

Statement showing the works cost per ton of unbleached pulp.

(See question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Primary raw materials				
(2) Auxiliary raw materials				
(3) Mill labour				
(4) Power and fuel				
(5) Ordinary current repairs and maintenance of buildings, plant and machinery.				
(6) General services, supervision and local office charges.				
(7) Miscellaneous, e.g., rent, municipal taxes, insurance, etc.				
(8) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.				
Total				
Credit for materials recovered (if any) .				
Nett total				
Total production of unbleached pulp for the year.				

FORM III.

Statement showing the works cost per ton of bleached pulp.

(See question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Manufactured unbleached pulp .				
(2) Purchased unbleached pulp . .				
(3) Auxiliary raw materials . .				
(4) Mill labour				
(5) Power and fuel				
(6) Ordinary current repairs and maintenance of buildings, plant and machinery.				
(7) General services, supervision and local office charges.				
(8) Miscellaneous, <i>e.g.</i> , rent, municipal taxes, insurance, etc.				
(9) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.				
Total				
Credit for materials recovered (if any) .				
Nett total .				
Total production of bleached pulp for the year.				

FORM IV.

Statement showing the works cost per ton of finished paper.

(See question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Manufactured bleached pulp .				
(2) Purchased bleached pulp . .				
(3) Auxiliary raw materials . .				
(4) Mill labour				
(5) Power and fuel				
(6) Ordinary current repairs and maintenance of buildings, plant and machinery.				
(7) General services, supervision and local office charges.				
(8) Miscellaneous, e.g., rent, municipal taxes, insurance, etc.				
(9) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.				
Total				
Credit for materials recovered (if any) .				
Nett total				
Total production of finished paper for the year.				

FORM V.

Statement showing the works cost per ton of manufacturing certain chemicals in the mill.*

(See question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Materials				
(2) Mill labour				
(3) Power and fuel				
(4) Ordinary current repairs, and maintenance of buildings, plant and machinery.				
(5) General services, supervision and local office charges.				
(6) Miscellaneous, <i>e.g.</i> , rent, municipal taxes, insurance, etc.				
(7) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.				
Total				
Credit for materials recovered (if any) .				
Nett total				
Total production of† for the year.				

* A separate form will be used for each chemical manufactured.

† Fill in the name of the chemical.

Witness No. 1.

INDIAN PAPER MAKERS' ASSOCIATION, CALCUTTA.

WRITTEN.

*Representation, dated 15th June 1923, to the Government of India,
Department of Commerce.*

I am directed to address you on the subject of a proposed special protective tariff for the paper-making industry in India.

2. The paper mill industry has been established in this country for nearly sixty years, but its expansion has been small compared with that of the cotton mill or jute mill industry both of which found a footing in the country at about the same period. It is true that the consumption of paper in India has not attained high proportions and is certainly low per head of population; but it is well-known that the quantity of paper imported annually exceeds the output of the Indian Mills. Thus one of the first questions in connection with this appeal must naturally be whether the industry is one which is economically sound. Perhaps the readiest answer to this is to be found in the fact that, although Europe and America have developed a very highly organised and financially strong woodpulp industry, paper of Indian manufacture and of Indian materials still holds its place in the Indian market after many years of fierce competition. The Indian industry is to-day re-organising itself for a continuance of the struggle. It will take some time to recover from the effects of the recent slump, aggravated as these were by the enormous quantities of paper imported by speculators in expectation of continued high rates of exchange and subsequently thrown upon the market at prices far below the cost of manufacture. Yet it may nevertheless be affirmed that the Indian industry suffers from no permanent inherent disadvantage, and, given a period of security from the attack of competition abroad, there is no doubt that it will not only develop in such a way as to be able to defy outside competition but will also assume an important position in the ranks of the world's producers of pulp and paper.

3. For a proper appreciation of the conditions surrounding the Indian industry it is perhaps advisable to recall that it was introduced at a time when the world's increasing demand for paper combined with great scarcity in the supply of cotton rags, then the staple raw material of the trade, compelled paper makers to look for, and to find, new materials in the shape of tropical and semi-tropical grasses. The requirements of a large section of the trade were met by the discovery that Esparto grass from Spain and Northern Africa could be utilised; and the successful results obtained encouraged enterprise in India. Rapid development took place in India between 1877 and 1892, but the gradual rise of the woodpulp industry put a stop to further progress, and shifted the focus of interest for paper-makers from tropical regions to those of Scandinavia and North America. Favoured by apparently inexhaustible supplies of cheap timber in these countries, and assisted by their higher industrial development, the new woodpulp industry rapidly attained enormous proportions, and woodpulp took a pre-eminent position as a paper-making material. In Great Britain the existing paper mills offered a convenient market for the new raw material produced in Sweden and Norway. In other countries the paper industry underwent great expansion, new mills being set down adjacent to, or in conjunction with woodpulp factories. Thus not only were existing demands met, but fresh and increasing requirements were overtaken with such rapidity that paper-makers were soon compelled to seek overseas

markets. "Dumping" inevitably followed, and in India, particularly in the decade prior to the War, the local mills were hard put to it to maintain their existence in the face of this form of competition.

4. Owing to the recent tremendous slump in trade this "dumping" has been resumed, and the Indian mills find themselves in a more difficult situation than ever, owing to the way in which their resources were taxed to meet the exigencies of the Indian, and other outside demand during the War period. Heavy demands now fall to be met for "extraordinary upholding" and the replacement and removal of machinery worked at unduly high pressure during the critical period when it was impossible to maintain previous standards of efficiency and everything had to be sacrificed for the sake of output.

5. Enough has been said regarding the great weight which is carried by the woodpulp section of the paper trade which still maintains a dominating position. It remains now to point to the change which is taking place in this respect. The very rapidity which attended the development of the woodpulp industry has caused the gravest anxiety among those engaged in the manufacture of paper; for the wholesale devastation of forests which it has brought about has limited the prospective supplies. Fears of a woodpulp famine have been expressed from time to time, and the scare which took place towards the end of 1919 and in 1920, when prices of pulp soared to hitherto undreamed of heights, is too recent, and was of too serious a nature to need more than passing mention. Such scares, however excessive and extreme in their violence, nevertheless point to a real danger which can only be averted by the judicious fostering and development of resources such as those possessed by this country. They serve moreover to give point to our claim that, given practical assistance at the present juncture, a strong and prosperous industry can be built up in this country. The 15 per cent. import duty which is now enforced is of considerable assistance to the industry. But experience seems to show that it will need to be largely increased to more nearly an approximate figure of 33½ per cent., as was mentioned before the Fiscal Commission, in order to give the trade the full protection that it requires against foreign "dumped" papers.

6. It is hardly necessary to point out that India offers great natural advantages to the paper mill industry in the shape of abundant supplies of raw material. In anticipation of being able to increase our manufacturing facilities we ourselves have developed, or are in course of developing, large additional resources of the staple grass used by ourselves, *viz.*, Sabai; and given a period of reasonable security, we should be able to find means to use these to increase the production of paper. Other materials there are in abundance, as is evidenced by the Report presented in 1919 by the Special Committee appointed at the instigation of the Secretary of State for India by the Committee for India of the Imperial Institute. This Report, as you doubtless recollect, expressed the opinion that India was favourably circumstanced with regard to the development of a trade in "New" paper-making materials, and recommended that certain developments of the manufacture of paper pulp "should receive every encouragement from the Government of India"; also that steps should be taken to render India independent of foreign supplies of pulp and paper in the belief that "the replacement of imports by Indian produce would be quickly followed by a surplus production which would be available for export." This puts the case for the Indian mills very fairly, especially when it is borne in mind that the work of this committee was aimed more towards safeguarding the interests of British paper-makers, by assuring their supplies of material, rather than towards assisting the Indian paper-maker whose views on the subject (so far as he is aware) were not even invited.

7. The industry is one which eminently satisfied the provisions laid down by the Fiscal Commission for the establishment of a claim for pro-

tection. More than that it claims that its present and potential value to the country is so great that, even if no general policy of "discriminating protection" had been adopted by the country, the needs of the paper-making industry at the present time would call for urgent consideration. It supplies or can supply the needs of the country. It not only gives employment directly to some 6,000 persons, but indirectly it provides means of livelihood for many more thousands engaged in allied industries, and in the collection of handling of materials. It creates demands for the production of chemicals and numerous commodities, and offers a market for the products of the mining and metallurgical trades. Thus the interests of many other industries are identified with the welfare of this one industry. The Government will agree, therefore, that its establishment on a secure and profitable basis is essential; and the members of this Association trust that they will be allowed to lay their full case before the Tariff Board should such be constituted, in accordance with the recommendations of the Fiscal Commission.



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Witness No. 2.

UPPER INDIA COUPER PAPER MILLS COMPANY LIMITED.

A.—WRITTEN.

Statement I.—Replies to questionnaire. (Letter, dated 19th June 1924.)

We have the honour to enclose 5 copies of our answers, along with 5 statements bearing on question No. 76 (ii).

As already intimated to you in our telegram of yesterday our representatives will appear before the Board on Monday, the 23rd instant, at 11 A.M.

REPLIES TO QUESTIONNAIRE.

I. INTRODUCTORY.

1. Our firm was established in 1879. It is a Public Registered Company.
2. Almost all the Capital invested in our firm is held by Indians. All the Directors are Indians. Excepting 3 Europeans, all form part of the superior management.
3. Our firm manufactures paper, and pulp only for our own requirements.
4. In 1882.
5. The full capacity of our 2 mills as at present equipped is for 13 tons of paper daily.
6. Previous to year 1885, papers are not traceable.

Years.	Output in lbs.
1885	2,938,764
1886	2,902,415
1887	3,128,353
1888	3,425,622
1889	3,540,818
1890	3,572,080
1891	3,556,901
1892	3,902,394
1893	4,201,327
1894	4,318,125
1895	5,463,072
1896	6,440,414
1897	6,114,198
1898	6,833,931
1899	7,218,700
1900	7,621,082
1901	7,285,043
1902	7,777,343
1903	5,996,791
1904	5,496,520
1905	7,094,654
1906	8,210,644
1907	7,353,479
1908	8,239,073
1909	8,033,456

Years.	Output in lbs.
1910	8,064,708
1911	7,878,749
1912	6,729,185
1913	6,000,472
1914	6,195,635
1915	5,780,676
1916	7,240,008
1917	7,084,811
1918	6,478,688
1919	6,312,956
1920	6,773,034
1921	5,813,010
1922	5,194,096
1923	3,795,955

7. Our mill is situated in Lucknow, Pura Imam Buksh, on the left bank of the river Gomti.

(a) Yes.

(b) Yes, to a certain extent.

(c) Yes.

(d) Labour and quantity of water abundant.

NOTE.—As mentioned above.

8. We make White Printings, Cream-laid, Government Water-marked paper, Azure Laid, Cream Wove, H. B. A. Government, Badamies, Browns, Unbleached Printings, Coloured papers, Antiques, White Cartridge and Manilla, etc.

50 per cent. Badami and Brown.

30 per cent. Whites (including Government Water-marked paper, etc.).

20 per cent. Miscellaneous.

9. Yes, they should be classified as:—

(a) good, (b) medium or, (c) inferior.

All the three (a), (b) and (c) can be made in India.

10. Yes, we make a larger variety of papers than a single manufacturer in western countries commonly does, owing to the nature of demand by the public.

Yes, the Indian manufacturer is at a disadvantage in this respect for the reason that the output would be much more and at a lesser cost if only one or two varieties are manufactured at a stretch.

11. Soda Process, i.e., we pick, cut, boil and re-sort, wash, bleach and break the different raw materials for the manufacture of pulp.

II. RAW MATERIALS.

12. Rags, Hemp, Jute, Bhabar (Sabai) and Waste papers.

13. (a) 1,800 tons of output per year:—

	Tons.
Rags	1,110
Hemp	637
Jute	555
Bhabar (Sabai)	1,125
Waste papers	210
	<hr/> 3,637 <hr/>

(b) 3,000 tons output per year, for which we require the following raw materials yearly:—

	Tons.
Rags	1,850
Hemp	1,062
Jute	925
Bhabar (Sabai)	1,875
Waste papers	350
	<hr/> 6,062 <hr/>

14 and 15. For 1 ton of unbleached pulp or finished paper about 2½ tons of primary raw materials are required.

16. We are able to obtain our requirements of primary raw materials provided nothing untoward stands in our way.

The Director of Industries and Forest Departments may be referred to for further particulars about the available quantity.

17. We draw primary raw materials from the United Provinces, the Punjab, Rajputana, the Central Provinces, the Nepalganj Forests, the Kheri Forests, and the Dehradun Forests, and their distance from our factory is from 10 to 500 miles.

18. We employ contractors to supply us the above primary raw materials, delivered into our mills or, at Badshanagar Railway Station.

19. Not known to us.

20. *Vide* our answer to Question No. 18.

	Rate for 1913-14.			Rate for 1923-24.		
	Per ton.			Per ton.		
	Rs.	A.	P.	Rs.	A.	P.
Rags	43	8	7	75	1	11
Patmal (jute)	41	13	3	68	4	8
Hemp	64	0	0	99	0	4
Sabai	31	2	6	72	2	1
Waste papers	15	10	5	51	3	6

21. *Vide* our answer to Question No. 18.

22. No, quality not uniform.

23. (a) No.

(b) Yes, to some extent.

(c) Yes, in case of Rags, etc., specially.

24. * * *

25. Yes, provided there be no vindictive rivalry.

26. We do not agree wholly to the opinion expressed by Mr. R. S. Pearson before the Fiscal Commission. Mr. William Raitt of Dehradun is supposed to be an authority on the subject.

27. Plenty of grass at moderate prices can be had if efforts are made and the Railways charge concession Railway freight.

28. *Nil*.

29. Mr. William Raitt of the Government Cellulose Department, Dehradun, may please be consulted. We do not know.

30. Ditto ditto ditto.

31. Ditto (Paddy straw, Ullagrass, Moonj are suitable for pulp manufacture.)

32. Sufficient quantity of Rags are available but the prices owing to the high cost of living are very high.

33. We have always had contractors.

34. No.

35. No.

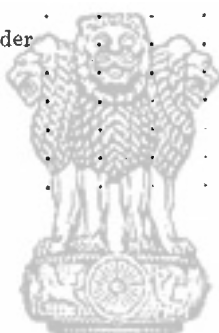
B. Auxiliary.

36. Following are the chief auxiliary raw materials, and against them is noted the yearly total requirements:—

	Yearly, Tons.
China Clay	225
Bleaching Powder	250
Caustic Soda	275
Alum	400
Rosin	75
Soda Ash	45
Lime	806

37. (a) No.

	Cwts.
(b) China Clay	1½
Bleaching Powder	1½
Caustic Soda	1½
Alum	2½
Rosin	½
Soda Ash	½
Lime	5½



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38. (a) Following are the chief auxiliary raw materials which are imported from abroad.

Name of articles.	Country of origin.	F. O. B. price in sterling per ton.	Port of importation.	Freight insurance per ton.	Landing charges per ton.	Transport charges to mill.	Customs duty at per cent.	REMARKS.
China Clay	Manchester, England	£4-11-3 c.i.f. Calcutta.	Calcutta	nil.	Rs. 3	Rs 36-8-0	Rs. 15 %	
Bleaching Powder . .	England, Liverpool	£12-15-0	"	nil.	" 5	" 22-15-10	" 15 %	
Alum	Manchester, England	£8-0-0	"	nil.	" 3	" 36-8-0	" 15 %	
Caustic Soda	England, Liverpool	Rs. 325 f. o. b. Howrah.	"	nil.	nil.	" 22-15-10	nil.	
Soda Ash	"	Rs. 215-5-0 delvd. mill	"	"	"	"	"	

33. (b) Following are the auxiliary raw materials which are manufactured and purchased in India.

Name of auxiliary materials.	Market price in	per ton.	Transport and other charges per ton.	REMARKS
Resin	Rs. 288 1 9	"	Rs. 19 3 3	This is manufactured in Bhiawali by Messrs The Indian Turpentine and Rosin Company of Cawnpore.
Lime	" 17 12 6	"	" 10 7 3	This is manufactured in Katni Marwara, C. P.

(c) We do not manufacture any auxiliary raw materials ourselves.

39. (a) China Clay is already manufactured. Bleaching Powder, Caustic Soda and Alum (owing to the climatic influences).

(b) Dyes.

III. LABOUR.

A.—Field Labour.

40. We cannot say, as we buy from Contractors, who often complain of high wages for labour.

41. Ditto ditto ditto.

42. Indigenous.

43. *Vide* reply to Question No. 40.

B.—Mill Labour.

44. Yes, we employ 3 expert supervisors at present.

45. We do not employ any imported common labourers at present, nor do we think that we shall require any, if the factory is worked at full swing.

46. We never had imported labour, nor do we hope to have it in future. Every facility is given to apprentices for training and examinations are held periodically to test their progress.

47. We cannot tell.

48. The total daily average number of Indian workmen had been 512 for the year 1923.

	Rs.	A.	P.		Rs.	A.	P.
Skilled labour . . .	47	0	0	to	118	12	0
Blacksmith . . .	37	8	0				
Fitters . . .	30	0	0	to	37	8	0
Carpenters . . .	26	8	0	to	53	4	0
Masons . . .	17	8	0		22	0	0
Engine Drivers . . .	75	0	0	to	95	0	0
Boilermen . . .	31	8	0				
Unskilled labour . . .	18	8	0				
Messenger . . .	13	0	0				
Cooly men . . .	15	0	0	to	17	0	0
Cooly women . . .	9	8	0				

The above amounts exclude the War Allowance at 12½ per cent. on wages per month.

49. The total wages bill for Indian mill labour for the years:—

	Rs.	A.	P.
1914	56,054	3	6
1923	1,20,559	10	9

As both the machines were not running all the year round in 1923, about 150 men were dismissed for a period of about 10 months or so.

If their wages are also included to compare the figures with the year 1914, such amount of wages for 1923 would be something like Rs. 1,50,000; instead of Rs. 1,20,559-10-9, as shown above. Up to the end of the year 1918 no general increase in the grades was given but occasionally increases

were given to individuals proving worthy of it and that had increased into a figure of Rs. 65,000 at the close of the year 1918, and since then increases in general affecting the grades of the different classes were given as below:—

Increases.

	Rs.	A.	P.
15th September 1919, 15 per cent. on regular pay	15	0	0
1st February 1920, 10 per cent. on the then regular pay	11	8	0
1st November 1920, 25 per cent. on the then regular pay	31	10	0
1st July 1921, 25 per cent. on the then regular pay	39	8	6
	97	10	6

War Allowance.

1st October 1918, 10 per cent. on regular pay	} <i>i.e.</i> , on Rs. 197-10-6. <i>i.e.</i> , on Rs. 49-6-6.	
1st January 1920, 5 per cent. on the then regular pay		
1st August 1920, 10 per cent. on the then regular pay		
	TOTAL	247-1-0

that is to say 147 per cent. increase in all was given.

Now, half the war allowance has been cut off since 15th January 1923. The present wages hold on at an increase of Rs. 122-5-9 per cent. on date, as compared with the figures for 1918, and at 148 per cent. as compared with figures for 1914.

50. Yes, the Indian labour force is sufficient. It is drawn from the vicinity of the factory.

51. The Indian skilled labourers improve with training and compare very favourably with the workmen in the Western Countries, provided we could afford better wages to them.

52. The common labourer, living in the vicinity of the factory and managing other domestic affairs (along with his relatives), such as agriculture, etc., does not like to live in any house offered to him by us.

We, however, provide for him free medicines in case of epidemics or accidents, and winter clothings for those who work in wet places.

IV. POWER (INCLUDING FUEL).

53. Steam.

54.

55. We use coal and it is available in sufficient quantities at collieries, but, owing to the shortness of railway wagons great difficulty is experienced in getting coal; and, pilferages at 7 per cent. in transit are a loss to us.

56. Our average quantity of coal is a little over 5·lbs. to a pound of paper, out of which we reckon half for producing pulp and half for making paper.

57. Distance about 600 miles. From Rs. 5 to Rs. 6-4 per ton for good 2nd class coal (Bengal) loaded into wagons at the colliery siding and Rs. 5-12 per ton, loaded into wagons for Pench Valley coal. Freight Rs. 8-4 per ton to Rs. 10 per ton.

58. We employ contractors.

59. No.

V. MARKET.

A.—For paper.

60. Please refer to the Director of Commercial Intelligence.

61. Ditto ditto ditto.

62. It is very likely that the Indian demand for paper will substantially increase in the near future, if the cost of living goes down to that of pre-war days, and education grows more popular as it is hoped.

63. United Provinces, the Punjab, North-Western Frontier, Central Provinces, Rajputana and Central India.

64. No.

65. We do not think.

66. (a) Yes, to a small extent at present.

(b) No.

(i) and (ii) As below.

Statement showing the quantity of paper supplied to the Government Offices at lower rates than the then market rates during the years of war and afterwards.

THE CONTROLLER OF PRINTING, STATIONERY AND STAMPS, CALCUTTA.

Water-marked paper.

Period.	Quantity of supply in pounds.	Rate charged.	Market rates during the period of supply.
19-2-16 to 8-3-16 . . .	20,300	Rs. 0-3-10	Rs. 0-4-2
1916-17	7,93,845	„ 0-4-4-9	„ 0-5-0 to 0-7-0
1917-18	5,28,381	„ 0-6-6	„ 0-7-0 to 0-8-9
1918-19	8,39,454	„ 0-7-4	„ 0-8-9 to 0-9-3
1919-20	4,32,600	„ 0-7-6	„ 0-8-6
1920-21	5,19,167	„ 0-7-6	„ 0-8-3, 0-8-6, 0-9-0, 0-9-6 and 0-11-0
1921-22	5,92,496	„ 0-10-0	Rs. 0-14-0, 0-12-0 down to 0-7-0

H. B. B.

1916-17	6,17,120	Rs. 0-4-0	Rs. 0-4-6 to 0-6-0
1917-18	4,15,900	„ 0-4-6	„ 0-6-0 to 0-7-3
1918-19	5,42,630	„ 0-4-6	„ 0-5-9 to 0-7-3
1919-20	6,11,685	„ 0-4-3	„ 0-7-3 to 0-5-6
1920-21	4,78,323	„ 0-5-0	„ 0-5-6 to 0-5-9

Unbleached.

Period.	Quantity of supply in pounds.	Rate charged.	Market rates during the period of supply.
1918-19	1,00,000	Rs. 0-5-6	Rs. 0-7-0 to 0-7-3

THE CONTROLLER OF STATIONERY, MADRAS.

Azure Laid.

1920	43,680	Rs. 0-8-0	Rs. 0-10-0
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THE DIRECTOR OF LAND RECORDS, UNITED PROVINCES.

H. B. B.

22-2-14 to 29-5-16	8,77,216	Rs. 0-2-0	Rs. 0-2- $\frac{1}{2}$ to 0-2-9
1916-17	2,74,400	„ 0-2-6	„ 0-3-6 to 0-4-6
1917-18	1,54,560	„ 0-4-9	„ 0-5-0 to 0-6-0
1918-19	1,96,800	„ 0-5-0	„ 0-7-0 to 0-7-3
1919-20	2,01,600	„ 0-5-0	„ 0-7-3 to 0-5-9
1922-23	2,01,600	„ 0-4-3	„ 0-5-3
1923-24	2,01,600	„ 0-3-6	„ 0-4-0 & 0-3-9

Brown.

1919-20	33,600	„ 0-3-11	„ 0-5-0 to 0-4-6
1922-23	38,080	„ 0-3-8 $\frac{8}{16}$	„ 0-4-6 to 0-3-6
1923-24	39,080	„ 0-3-0	„ 0-3-3

STATE RAILWAYS.

NORTH-WESTERN RAILWAY.

Brown.

1915-16	7,62,264	Rs. 0-1-8 $\frac{3}{4}$	Rs. 0-2-0 to 0-2-6
1916-17	2,48,928	„ 0-2-7	„ 0-2-11 to 0-8-0
1918-19	45,390	„ 0-10-0	„ 0-10-3

EASTERN-BENGAL STATE RAILWAY.

Coloureds.

Period.	Quantity of supply in pounds.	Rate charged.	Market rates during the period of supply.
1918-19	22,368	Rs. 0-10-0	Rs. 0-10-3

OUDH AND ROHILKHAND RAILWAY.

Coloureds.

1918-19	7,800	Rs. 0-10-0	Rs. 0-10-3
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STATE RAILWAYS.

Coloureds.

1920	1,01,920	Rs. 0-7-1	Rs. 0-9-0
1921	80,640	„ 0-10-0	„ 0-10-0
1923	15,680	„ 0-5-3	„ 0-8-0

Superior Badami.

1921	5,21,920	Rs. 0-6-6	Rs. 0-7-6
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Common Badami.

1921	8,28,800	Rs. 0-4-3	Rs. 0-5-6
1923	1,12,000	Rs. 0-3-6	Rs. 0-4-0

Superior Badami.

1923	67,200	Rs. 0-3-9	Rs. 0-4-4
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Brown.

1921	1,36,640	Rs. 0-3-9	Rs. 0-4-6
1923	11,200	„ 0-3-0	„ 0-3-6

Coloureds.

Period.	Quantity of supply in pounds.	Rate charged.	Market rates during the period of supply.
1923	15,680	Rs. 0-5-3	Rs. 0-8-0

Blotting.

1922	34,720	Rs. 0-7-0	Rs. 0-9-0
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White Printing.

1918-19	1,12,008	Rs. 0-6-3	Rs. 0-9-0
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THE CONTROLLER OF CONTRACTS, SIMLA.

H. B. B.

1918	57,296	Rs. 0-5-0	Rs. 0-6-9 & 0-7-0
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THE CONTROLLER OF INDIAN MUNITIONS BOARD.

H. B. B.

1918-19	24,000	Rs. 0-5-2	Rs. 0-7-0
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THE EDITOR, WAR JOURNAL.

Coloureds.

1918-19	32,000	Rs. 0-10-0	Rs. 0-10-3
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NOTE.—We have taken for comparison the rates for the Water-marked paper and those for White Printing No. 3. But be it noted that the Water-marked paper, supplied to Government, is far superior to White Printing

No. 3. At least an addition of anna 1 per lb. to the above rates for White-Printing No. 3 would give the correct basis for comparison.

67. Very little, owing to cheap wood paper from Europe, against which we cannot compete.

B.—For Pulp.

68 to 72. * * * *

VI. FOREIGN COMPETITION.

Paper.

73. Germany, Norway, Sweden, England and Japan and Austria.

74. Yes, in all grades.

75. Wood pulp generally and also Esparto.

76. (i) Cannot say.

(ii) A separate statement attached.

77, 78 and 79. Our information is based on the following reports (made at the Conference held at Stationery Office on 20th November 1923):—

“Mr. Carr thought that what Mr. Ascoli (Controller of Stationery) wanted to get was a reasonable price and the whole matter turned on the interpretation of the term reasonable whether, in fact, this meant the cheapest price at which it was possible to buy. It was quite possible, for instance, that after calling for tenders for 1,000 tons of paper the Controller might get quotations from people holding large stocks who were willing to accept a cut price in order to enable them to get rid of their stocks; but this would not be a reasonable price.”

“Mr. Ascoli replied that last winter at any rate the home mills were not holding stocks, but were making only to order; and they were now willing to take orders sufficient to keep them running but without making any profit.”

While the Paper Makers' monthly Journal, dated 15th December 1923, states the home manufacturers' views as under:—

“No more convincing case for the protection of British manufacture in the home market can be cited than that of paper. Here is an industry that is struggling for its existence against the unrestricted dumping in this country of thousands of tons of paper month after month from countries with depreciated currencies. At the same time British mills are finding an increasing difficulty in disposing of their output, and in many cases are running only on half their normal production.”

The World's Paper Trade Review, dated 4th January 1924, in its review of the British Paper Industry in 1923, says:—

“The imports from Germany into the United Kingdom have shown a startling increase. Many German news-print mills, deprived of their normal market by the extinction of a number of local newspapers have transferred their activities to the production of wrappings, thus further inflating an already expanded output of this class of paper with the consequence that the British wrapping mills have been running on short time, while increased quantities of foreign paper have landed on our shores. It will be seen that the home mills have good reason for disquiet.”

The Paper Makers' monthly Journal (London), dated 15th January 1924, states:—

“But the Industry has been seriously handicapped by the large quantity of paper coming from foreign countries working under conditions with which it is impossible for us to compete.”

The Paper Makers' British Paper Trade Journal, dated 1st January 1924, says:—

“It may be taken as a fact that certain mills now absolutely “flattened out” by foreign competition will have to very seriously consider their position—the outlook is distinctly discouraging, to put the thing mildly.”

80. All over India.

81. Unemployment and depression of trade owing to the non-settlement of Reparations question.

82. We do not know.

83. We do not know.

84. We do not know because we do not deal in foreign papers.

85. (a) Yes, at a disadvantage in the cost of plant and machinery: it costs about 20 per cent. higher in India.

(b) We cannot say.

(c) We cannot say.

(d) We cannot say.

(e) Yes, because of shipping charges, customs duties and railway freight from Port to our mills. Bleaching powder costs about 80 per cent. more in India and Caustic Soda 40—45 per cent. more. These excesses include any loss of strength that occurs.

(f) Yes; the railway freight in particular should, in our opinion, be reduced.

(g) Yes, because we have to keep a stock for at least 3 months ahead, as it takes about 3 months to arrive here.

(h) Yes, 15 per cent. on invoice cost.

(i) Yes, as people in our part of the country are rather timid in so far as investing of money in business is concerned, especially when there are no prospects of profits.

86. We are not in a position to answer this question.

VII. EQUIPMENT.

87. We cannot say.

88. Yes.

89. *Vide* answers to Questions Nos. 96 and 101.

90. Rag Cutters, Rag Dusters, Rag Boilers, Grass Willow, Grass Elevators, Grass Boilers, Poochers, Washers and Bleachers, Beaters, Stuff Chests, Pumps, Wire Mould, Couch Rolls, 1st and 2nd Press Rolls, Heating Cylinders, Dampers, Calender Rolls, Friction Rolls, Paper Cutters, Steam Engines and Steam Boilers.

91. Yes, with a little alteration and addition to Machinery provided there is no vindictive competition.

92. Yes.

93. No, excepting only necessary additions and alterations.

94. (a) Yes, we do contemplate certain renewals to our machinery.

(b) No. We have not got sufficient money.

95. None, as far as we are aware.

VIII. CAPITAL ACCOUNT.

Q. 93		Q. 97
Assets Particulars.	Value of property as it stood on 31st Decr. 1923.	Depreciation written off to 31st Decr. 1923.
	Rs. A. P.	Rs. A. P.
Land*	1,000 0 0	..
Buildings	2,59,618 4 11	2,30,066 6 9
Plant and Machinery	1,98,989 8 7	11,81,581 3 8
Furniture	7,028 9 10	5,863 14 8
TOTAL .	4,66,636 7 4	14,17,511 9 1

* Besides the price paid for land, as shown above, the Company pays annual rent at present of Rs. 2,074 to Nazul Department.

98. We think the present method of calculating the depreciation on the prime cost at $7\frac{1}{2}$ per cent. on machinery and $2\frac{1}{2}$ per cent. on building is quite reasonable.

The amount of depreciation written off by us to date appears to be in accordance with the life of the machines and buildings.

99. (a) and (b) About 40 lakhs will be required for a new plant and buildings. It is about $2\frac{1}{2}$ times the value of the plant and buildings as compared to that when we erected ours. The operating cost of an up-to-date machinery may compare favourably to the present one.

100. * * * *

101. (a) Authorised.

(b) Issued.

(c) Subscribed, 8,000 shares at Rs. 100 each, fully paid up Rs. 8,00,000 All ordinary shares.

102. No preference shares.

103. Nil.

104. (a) Share Capital Ordinary.

Registered in 1879.

	Rs.	A.	P.
December 1879	15,898	2	0
„ 1880	4,89,968	7	11
„ 1881	5,41,916	14	11
„ 1882	5,69,201	2	1
„ 1883	5,76,981	7	5
„ 1884	5,77,911	4	5
„ 1885	5,71,900	0	0
„ 1886	5,72,000	0	0

	Rs.	A.	P.
December 1887	5,73,500	0	0
„ 1888	5,74,500	0	0
„ 1889	5,75,200	0	0
„ 1890	5,75,500	0	0
„ 1891	5,76,800	0	0
„ 1892	7,33,300	0	0
„ 1893	7,32,900	0	0
„ 1894	7,86,600	0	0
„ 1895	8,00,000	0	0

(b) About 45 lakhs have been paid in all as dividend and Bonus to our Shareholders since the commencement of the Company.

(c)

Half-year ended.	Rate per cent. per annum.
31st December 1882	6
30th June 1883	6
31st December 1883	nil.
30th June 1884	nil
31st December 1884	nil.
30th June 1885	4
31st December 1885	4
30th June 1886	4
31st December 1886	4
30th June 1887	4
31st December 1887	6
30th June 1888	7
31st December 1888	7
30th June 1889	7
31st December 1889	7
30th June 1890	7
31st December 1890	8
30th June 1891	9
31st December 1891	10
30th June 1892	10
31st December 1892	10
30th June 1893	10
31st December 1893	10
30th June 1894	10
31st December 1894	10
30th June 1895	10
31st December 1895	10
30th June 1896	nil.
31st December 1896	nil.
30th June 1897	4
31st December 1897	6
30th June 1898	7
31st December 1898	8
30th June 1899	8
31st December 1899	8
30th June 1900	8

Half-year ended.	Rate per cent. per annum.
31st December 1900	8 & 2 % bonus.
30th June 1901	8 & 2 % bonus.
31st December 1901	8 & 2 % bonus.
30th June 1902	8 & 2 % bonus.
31st December 1902	8 & 2 % bonus.
30th June 1903	8
31st December 1903	6
30th June 1904	5
31st December 1904	5
30th June 1905	6
31st December 1905	8 & 4 % bonus.
30th June 1906	8
31st December 1906	6
30th June 1907	8
31st December 1907	8
30th June 1908	8
31st December 1908	8
30th June 1909	8 & 2 % bonus.
31st December 1909	6
30th June 1910	6
31st December 1910	6
30th June 1911	6
31st December 1911	6
30th June 1912	6
31st December 1912	4
30th June 1913	5
31st December 1913	5
30th June 1914	6
31st December 1914	6 & 2 % bonus.
30th June 1915	6 & 3 % bonus.
31st December 1915	6 & 6 % bonus.
30th June 1916	6 & 10 % bonus.
31st December 1916	6 & 26½ % bonus.
30th June 1917	6 & 44 % bonus.
31st December 1917	6 & 62 % bonus.
30th June 1918	6 & 44 % bonus.
31st December 1918	6 & 60 % bonus.

Half-year ended	Rate per cent. per annum.
30th June 1919	6 & 54 % bonus.
31st December 1919	6 & 64 % bonus.
30th June 1920	6 & 34 % bonus.
31st December 1920	6 & 54 % bonus.
30th June 1921	6 & 54 % bonus.
31st December 1921	6 & 34 % bonus.
30th June 1922	6 & 24 % bonus.
31st December 1922	6 & 34 % bonus.
30th June 1923	6 & 24 % bonus.
31st December 1923	6 & 24 % bonus.

105. The average of dividend and bonus paid to the Shareholders since the commencement of the mill to date works out at 14 per cent.

106. Nil.

107. Reserve Funds, created out of the surplus profits, stand on date as under:—

	Rs.
Reserve Fund	5,00,000
Contingent Fund	50,000
Stock and Stores Depreciation Fund	50,000
Renewal to Machinery Fund	14,20,000
Bad and Doubtful Fund	30,000
Dividend and Bonus Equalization Fund	73,000
TOTAL	21,23,000

108. Rs. 40,00,000, provided trade conditions take a hopeful and favourable turn.

IX. COST OF PRODUCTION.

109. The Form No. 1, showing the expenditure under different heads, as desired, is on page 26.

FORM No. 1.*

Statement showing the total expenditure on the production of paper during the following years :—

No	Particulars.	1914	1921	1922	1923	REMARKS.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1	Primary Raw Materials	2,06,113 13 10	3,61,746 5 9	3,17,813 13 8	2,45,349 10 11	
2	Purchased Pulp	4,580 11 0	0 0 0	0 0 0	0 0 0	
3	Auxiliary Raw Materials	1,75,604 1 4	3,93,878 12 1	2,26,258 13 6	1,96,582 7 5	
4	Labour and Establishment (which includes Mill hands European and Office staff).	1,19,675 4 6	2,71,640 8 7	2,75,934 7 6	2,21,936 15 6	
5	Power and Fuel (Coal)	1,44,909 3 6	2,70,721 12 7	2,29,230 2 6	1,89,806 2 7	
6	Ordinary current repairs and maintenance of buildings, Plant and machinery.	1,00,338 12 9	2,32,517 1 3	1,88,320 15 1	1,50,106 12 5	
7	General Services (Income-tax, freight on paper, General charges, Postage, Audit fee, Directors' Commission, etc.).	67,269 3 2	2,67,189 5 6	1,89,680 9 11	1,34,229 10 10	
8	Miscellaneous (e.g., Rent, Municipal Taxes, Insurance, etc.).	5,502 12 0	16,986 0 1	13,812 9 10	16,338 0 4	
9	Nil. Nil. Nil. Nil.	....	....	....	....
	TOTAL .	8,23,993 14 1	18,14,679 13 10	14,41,051 8 0	11,54,349 11 11	
	Finished output in lbs.	61,95,635 lbs.	58,13,009 lbs.	51,94,096 lbs.	37,95,955 lbs.	

* Subsequently revised, see Statement II, Appendix A.

FORM No. IV.*

Showing the Works cost per ton of finished paper.

	1914.	1921.	1922.	1923.	REMARKS.
1. Raw materials	74.52	139.4	137.04	144.75	
2. Purchased bleached pulp	1.65	..	..	..
3. Auxiliary raw materials	63.48	151.78	97.56	115.97	Superior quality paper manufactured.
4. Labour and Establishment	43.23	104.65	118.99	130.93	On one machine.
5. Power and fuel	52.38	104.32	98.85	111.98	Shortness of coal.
6. Ordinary current repairs and maintenance of building, plant and machinery.	36.27	89.6	81.2	88.55	
7. General services, etc., Income-tax, Freight on paper, General charges, postage stamps, Audit fee, Director's Commission, etc.	24.32	102.96	81.79	79.19	Income-tax.
8. Miscellaneous, e.g., rent, municipal taxes, Assurance, etc.	1.99	6.54	5.95	9.63	More fully insured—Octroi also new tax levy.
9. Any other charges . . . . .	..	..	..	..
TOTAL .	297.84	698.25	621.38	681.00	

* Subsequently revised, see Statement II, Appendix B.

110. Yes, in the last year, i.e., 1923. All items of expenditure were high excepting the consumption of the raw materials.

See statement in reply to Question No. 104 (a).

111. Lack of business did not allow us to manufacture paper for stock in addition to the heavy stock already in hand.

It seems rather difficult to base anything on future and prospective normal conditions. For instance, what figures we are to take for the labour and establishment which is almost double the pre-war days and there are very few chances of bringing down the same to the normal state or thereabout in the near future.

Secondly, railway freight on coal, other materials and finished paper, has gone up and we can not think when we shall have any reduction in that, and which probably will not be reduced till the normal conditions of labour return. Similarly is the case with the prices of several kinds of raw materials, as their rates mostly depend on the wages, Railway freight, etc.

The maximum output can only reduce the cost in proportion but it cannot make up the loss caused by the decreasing rates of paper.

112. No.

113. No.

(b) *Overhead Charges.*

(i) *Depreciation.*

114. The rates allowed at present by the Income-tax Authorities are:—

7½ per cent. on Machinery.

5 per cent. on Furniture.

2½ per cent. on Buildings.

on the prime cost of the machinery, buildings and furniture. We consider they are suitable.

115. The maximum amount of depreciation which we can lay aside every year, as per Depreciation Account, at the Income-tax Office, would be as below:—

(b)

	Rs.
Machinery	69,695
Buildings	11,460
Furniture	583

116. * *

117. * *

(ii) *Working Capital.*

118. About 20 lakhs is the invested amount in business at the present day with the depreciated value of our machinery and buildings, etc. Most of the amount is invested in the stock of paper and the stores in hand. It would make little difference in our investment in business if we run at full capacity or as we are doing at present by running only one machine. Much depends on the sale of stock and the output for every year, as it is the only source of reducing the Capital investment in business.

119. The Company possesses its own money.

120. * *

121. * *

122. The following are the figures for the stock of paper held by the Company:—

	Rs.	A.	P.
1st January 1915	2,83,199	15	3
1st January 1916	2,50,606	0	3
1st January 1917	2,24,691	5	8
1st January 1918	2,14,081	0	8
1st January 1919	2,63,332	1	0
1st January 1920	5,89,849	2	4
1st January 1921	3,29,065	14	5
1st January 1922	4,18,737	3	2
1st January 1923	6,84,055	0	2
1st January 1924	6,82,213	2	3

That shows the stock is now increasing and so a good portion of Company's money remains locked up on this account.

About 1 month's time in case of Public supply.

* (3) About 3 months' time in case of Government Office.

About 2 months' time in case of Native States.

The average value of the stock of finished paper held by the Company for the last 14 years is Rs. 4,30,537.

123. Statement showing the store articles in hand for the last 10 years, is given below:—

	Rs.	A.	P.
1st January 1915	2,87,098	1	9
1st January 1916	2,96,457	2	11
1st January 1917	4,17,561	0	4
1st January 1918	4,19,690	10	6
1st January 1919	5,51,102	14	3
1st January 1920	5,28,679	10	5
1st January 1921	6,16,085	0	3
1st January 1922	6,78,721	3	9
1st January 1923	5,93,088	4	2
1st January 1924	4,61,400	0	0

The average value of the stores held by the Company for the last 10 years, is Rs. 4,84,988.

(iii) Agents' Commission and Head Office expenses.

124. No.

125. * *

126. * *

127. * *

X. MANUFACTURER'S PROFITS.

128. About 10 per cent. when the money is tight all round.

129. About 8 per cent.

130. About 10 per cent.

131. *

XI. CLAIM FOR PROTECTION.

132. A. (a) *Re* Advantages—labour, market, raw materials *vide* our answer to Question 44 submitted to the Indian Fiscal Commission, dated 29th January 1922.

“There are several natural advantages for pulp and paper manufacture in India.

(a) In the first place India possesses an abundant supply of the raw materials, *e.g.*, rags, baib grass, hemp and jute waste. These are at present used for the manufacture of pulp. As Mr. W. Raitt, Cellulose Expert to the Government of India, has pointed out in his paper on “Paper Supplies from India” read before the Indian Section of the Royal Society of Arts on the 3rd May 1921, if bamboos and savannah grasses available in different parts of India are utilised, India could produce thirteen million tons of pulp annually, a quantity which would suffice for the whole world at the present rate of consumption. Moreover bamboo pulp has a very great advantage over wood pulp which is at present chiefly used for paper manufacture in almost all the foreign countries. The growth of trees for wood pulp is slow and it takes thirty to forty years to replace the trees which have been cut down whereas bamboos can be reproduced almost every year and Mr. Raitt calculates that for a ten-thousand ton pulp output per annum a 20,000 acre reserve can keep a factory going in perpetuance—a vastly different condition of affairs from those governing a wood pulp insulation which lives on its capital from the start or must adopt a re-afforesting policy which reacts badly upon costs.

(b) Abundant supplies of cheap labour are available in Lucknow. In sympathy with the general rise of prices wages have nearly trebled during the last seven years, but the mills have hitherto experienced no trouble in obtaining any adequate supply of labour from the villages in the vicinity.

(c) The consumption of paper in India with its vast population is much greater than the supply. Before the war the average annual consumption of paper in India was about 75,000 tons a year whereas the aggregate quantity of paper produced in the Indian paper mills was only 30,000 tons a year. India had thus to import about three-fifths of its supplies from abroad and the prices of paper in India were governed by the prices of imported article. With the extension of education in India there will be and is bound to be an enormous increase in the amount of paper required.”

A (b) * * *

B. *Vide* answer to Question No. 50, of our above written Evidence, etc.

“Notwithstanding the fact that India undoubtedly produces an enormous variety of suitable paper-making materials, the existing Indian mills were consistently undersold before the war in many descriptions of finished paper, and further they made use of a great quantity of wood pulp. The industry was without question in a very shaky condition. The mills were either giving no dividends or small dividends taking the last ounce of their machinery, with no provision for the future.

The following table shows the Imports of Wood pulp from various countries:—

	1913-14 (pre-war year.)	1916-17.	1917-18.	1918-19.	1919-20.
	Tons.	Tons.	Tons.	Tons.	Tons.
Total Imports of wood pulp	12,400	8,400	3,600	2,100	5,500

With the decrease of imports during the war the paper mills have made large profits and have accumulated large reserves which will enable them to obtain new machinery or make extensions.

On account of the difficulty of obtaining wood pulp owing to the war, attention was directed to other raw materials but the difficulty of obtaining chemicals and coal was seriously felt.

For the full development of the industry much will seem to depend upon the extent to which the associated industries are developed in India. Up to now, bleaching-powder, caustic soda, rosin for sizing, china clay and alumino-ferric have all been imported as have been also the colours used for toning white papers and dyeing coloured papers. With a wealth of fibres to draw upon and with an adequate local supply of chemicals at a reasonable price, India certainly ought to be in a position not only to produce the whole of her own requirements of ordinary paper, but also to become one of the great pulp exporters.

But as already pointed out the competition before the war was so serious, and there is such likelihood of its remaining unabated after the war, that an ample measure of protection would seem to be very necessary. In fact foreign competition is already asserting itself and if it grows the Lucknow Paper Mills at least will not be able to sell its white paper and will have to considerably lower their rates for Badami.

It is difficult to say exactly what rate or duty should be levied unless all facts as regards the cost of production and expenses of marketing in foreign countries are available, but in order to be effective the duty will have to be particularly heavy—say from thirty to forty per cent.

C. *Vide* answer to Question No. 51 of our above written evidence, etc.

"If the protection is granted for a sufficiently long period—say twenty years—(the protection becoming less and less every five years) I see no reason why the industry should not be able to stand on its own legs. This of course assumes that the other associated industries will develop and the Government aid will be forthcoming in the provision of research and transport facilities and in other ways.

133. (a) Yes.

(b) Yes.

134. *Vide* answer to Question No. 45 of our above written Evidence, etc.

"The paper industry, it is obvious, is both essential to the National Security and of substantial importance to the Economic Prosperity of the country. If the supplies of paper are cut off the ordinary work of administration and military operations would be greatly impeded. We all remember how during the war paper had to be economised but, thanks to the existence of paper mills in India, the armies in India, Mesopotamia and to some extent in Egypt were kept supplied with paper and forms, the wants of the civil administration in India and in some of the further East Colonies were met and though the private purchaser in this country has had his difficulties, all essential publications were maintained without break. When the supplies of paper for post-cards from Austria were cut off, the Indian mills rose equal to the occasion and provided for no less than sixty-three millions of post-cards.

"Cheap papers, moreover, are essential for the spread of education and the half anna newspaper has proverbially a vast educative influence. The United Kingdom and Germany, before the war, used to consume thirteen pounds of paper per head in a year, and the average for France was ten pounds. In the consumption of paper relatively to population, the United States are ahead even of Great Britain and Germany, which is no doubt chiefly due to the wide circulation of newspaper in that country and hence speaks volumes not only for the advanced state of popular education, but also for the general diffusion of ordinary comforts among the people." (Chisolm: Handbook of Commercial Geography.) In Japan, paper is used

for making clothes and as substitute for leather. The average consumption of paper in India works out at only 0.525 lbs. per head per year.

135. *Vide* Introduction, paragraph 4 of our written evidence *, etc.

136. Yes, protective duties should be imposed on all qualities of paper which the Indian mills produce.

137. (a) By imposition of extra duty to counter-balance the depreciated exchange.

(b) Ditto.

(c) * * *

138. (a) 15 per cent.

(b) We cannot pay.

139. 30 to 40 per cent. Since the industry suffers from dumping.

140. Because the industry has grown self-supporting and owing to foreign competition.†

141. Equally on both.

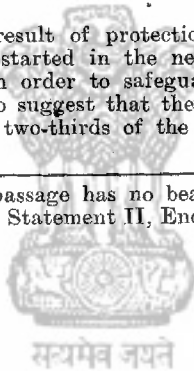
CONCLUSION.

1. We have suggested 30 to 40 per cent. on all imports of finished paper and pulp from foreign countries, in view of the present day conditions. If, after the imposition of the above duty, the foreign manufacturer reduced the rates, we respectfully suggest the rate of duty should be enhanced proportionately.

2. It is feared, as a result of protection, that new mills, with large foreign capital, might be started in the near future to compete with the *bona fide* Indian mills. In order to safeguard the interests of the Indian mill, we respectfully beg to suggest that there should be at least two-thirds of the Indian capital and two-thirds of the Indian Directorate in the case of the foreign mills.

* Not printed as this passage has no bearing on the question asked.

† For revised answer see Statement II, Enclosure C.



Enclosure I.—Statement showing the prices realised by the Coy. (vide Q. M. 76 (ii))—contd.

Class of paper.	9th March 1916	17th March 1916	11th May 1916	1st June 1916	29th June 1916	29th August 1916	1st November 1916	8th January 1917	15th February 1917	17th March 1917	31st March 1917
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Azure Laid	..	0 4 6	0 5 0	..	0 6 0	..	..	..	..	..	..
Blotting White	..	..	..	..	..	..	..	..	..	..	..
Brown 12, 13b	..	0 2 3	0 2 5	0 2 6	0 2 9	..	..	..	0 3 0	0 3 6	0 4
14, 15b	..	..	..	..	..	..	..	..	..	0 3 3	..
" Heavier	..	..	..	..	0 2 0	..	..	..	..	..	..
" Cords	..	..	..	..	0 8 0	..	..	..	..	..	..
" Blazed	..	..	..	..	0 7 0	..	..	..	..	..	..
" Coloureds	..	0 5 6	0 6 6	..	0 8 0	..	..	..	..	..	..
Cream Laid No. I	..	..	Ream 2 15 0	..	0 8 0	..	..	..	..	..	..
Cream Laid No. III 6lb	..	..	Ream 2 15 6	..	0 7 6	..	..	..	..	..	..
" 7lb	..	0 6 0	2 15 6	..	0 6 6	..	..	..	..	..	..
" 8lb	..	0 5 6	0 6 0	..	0 6 3	..	..	0 6 3	..	..	..
" 9lb	..	..	..	..	0 6 0	..	..	..	..	..	..
" & 3lb	..	0 5 0	0 5 6	..	0 6 0	..	..	..	0 5 3	..	..
Heavier	..	..	..	..	0 5 0	..	..	..	..	..	..
Cream Wove	..	0 4 6	0 5 0	..	0 5 0	..	..	..	..	..	..
Drawing	..	0 4 0	0 4 6	..	0 5 0	..	..	..	..	..	..
H. B. A. Government	0 3 0	0 4 0	0 4 6	..	0 5 0	..	..	..	0 5 3	..	..
H. B. B. 9lb	..	..	..	..	..	..	..	..	..	..	..
" 10lb	1 10 0	1 12 0	1 15 0	2 2 6	2 8 0	2 10 0	2 11 0	2 13 0	3 0 0	3 2 0	..
" Ream	..	..	..	..	..	..	..	..	..	..	..
" 11lb	1 10 6	1 13 0	2 0 0	2 3 0	2 9 0	2 11 0	..	0 4 6	0 4 3	0 4 6	..
" Heavier	0 2 4	0 2 6	0 2 9	0 3 0	0 3 6	0 3 9	..	..	..	..	..
Mottled Grey	..	..	..	..	0 7 0	..	..	..	..	..	..
White No. I	..	0 5 0	0 5 6	..	..	..	..	..	..	..	..
" II	..	..	..	..	..	..	..	..	..	..	..
" III 12-14lb	..	..	..	..	..	..	..	..	..	..	..
" Heavier	..	..	0 5 0	0 5 3	0 6 0	..	..	..	..	..	..
White rough	0 4 6	..	..	..	0 5 3	0 5 6	..	..	..	..	..
Wrapper	0 4 0	..	..	..	0 5 3	0 5 6	..	..	..	..	..

Enclosure I.—Statement showing the prices realised by the Coy. (vide Q. M. 76 (ii))—contd.

Class of Paper.	13th June 1918	2nd July 1918	2nd August 1918	10th August 1918	23rd September 1918	20th January 1919	13th October 1919	6th January 1920	23rd February 1920	20th April 1920	30th June 1920
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Azure Laid	0 9 0	..	..	0 7 0	0 8 0	..	0 10 3	..
Blotting White	0 9 6	0 7 3	0 8 3	..	0 9 0	..
" Pink	0 4 0	0 4 9	..	0 9 6	..
Brown 12, 13 lb	0 5 6	0 4 0	..	..	..	..
" 14, 15 lb	0 4 6	..	..	..
" Heavy.	0 4 0	0 3 6	..	..	..	..
" Cords
" Glazed
Coloureds	0 9 0	..	..	..	..
Cream Laid No. I	4 4 0	..	3 4 0	4 0 0	4 4 0	4 8 0	4 12 0
Cream Laid No. III 6 lb	Ream	..	..	..	..	..	..
" 7 lb	0 9 6	..	..	0 7 0	0 9 0	0 9 6	0 10 0	0 10 6
" 8 lb
" 9 lb
" & 3 lb	0 8 6	0 9 0	0 9 6	0 10 0
" Heavy
Cream Wove	0 9 0	..	..	..	0 8 0	..	0 9 6	0 9 6
Drawing	0 6 3	..	..	0 7 0	0 7 6
H. B. A. Government
H. B. 9lb.	..	0 7 6	..	..	..	..	..	..	..	..	..
H. B. 10lb.	4 8 0	..	4 12 0	..	5 0 0	5 4 0	3 8 0	3 12 0	..	..	..
"	Ream	..	..	..	..	..	..	..	..
" 11lb.	0 7 0	0 7 3	0 5 0	0 5 6	..	..	..
" Heavy	..	0 6 0	0 6 9	..	..	..	..	..	..	..	..
Matted Grey	0 12 0
White No. I
" II	0 8 6	..	0 9 0	..	..	0 9 3	0 7 0	0 8 6	0 9 0	0 9 6	0 10 0
" III 12-14lb.	0 8 0	0 8 6	0 9 6	..
" Heavy	0 7 6	0 6 9	..	..	0 7 0	..
" White rough
Wrapper

Statement II.—Letter from the Upper India Couper Paper Mills Company, Limited, dated the 5th July 1924, forwarding supplementary information.

As so kindly desired by your Board we respectfully submit herewith our answer to the Questions as per enclosed sheet.

If anything further be required we shall be very glad to furnish the same.

LIST OF STATEMENTS.

<i>Questions.</i>	<i>Answers.</i>
To be marked—	
II-A. Statement to show the substitution of Indian for European supervisors.	Already submitted to the Board at Simla.
II-B. Statement to show Railway freight on paper from Lucknow to half a dozen important Railway Stations.	Ditto.
II-C. A proper answer to Question No. 140	This is under preparation and will be sent early next week.
II-D. Rates of Primary and Auxiliary raw materials for the years 1914 and 1924.	Statement enclosed.
II-E. Estimate for the new machinery .	Already submitted by our Manager at Simla.
II-F. Statement to show profits and disbursement thereof.	Statement enclosed.
II-G. Statement to show quantities of Primary and auxiliary raw materials, and coal with rates and prices relating to figure of Form No. 1, Question No. 109.	Statement enclosed.
II-H. War work	This is still under preparation and will be despatched early next week.

Besides the 3 statements marked as II-D, II-F and II-G, as mentioned above, we are enclosing 5 copies each of the Form Nos. I* and IV†, relating to Question No. 109, and would request you to kindly substitute these forms for those already given to the Board as some changes in the figures have been made.

* Appendix A.

† Appendix B.

ENCLOSURE A.

Statement showing the substitution of Indians for Europeans in the Superior Technical Staff since the commencement of the Mill till date.

No.	Capacity.	1900.	1904.	1914.	1918.	1923.	1924.
1	Manager . . .	European.	European.	European.	European.	Indian.	Indian.
1	Foreman . . .	"	"	Indian.	Indian.	Indian.	Indian.
2	Machinemen . . .	"	"	Europeans.	Europeans.	Europeans.	Europeans.
2	Beatermen . . .	"	1 Indian.	1 Indian.	1 Indian.	1 Indian.	2 Indians,
1	Engineer . . .	"	1 European.	1 European.	1 European.	1 European.	Indian.

On account of the untimely death of three of our approved apprentices, who were intelligent and hard working and had received several years training, we are compelled to keep 2 European Machinemen but time is soon coming when two of our present apprentices will be competent enough to take charge of the Machine Department.

Enclosure B.

Railway freight on Paper per pound from Lucknow to Important Stations.

									Pies.
Calcutta	about	.	.	.	.	.	.	.	2-50
Bombay	„	.	.	.	.	.	.	.	3
Peshawar	„	.	.	.	.	.	.	.	3-50
Lahore	„	.	.	.	.	.	.	.	2-75
Rawalpindi	„	.	.	.	.	.	.	.	3
Benares	„	.	.	.	.	.	.	.	1-25
Allahabad	„	.	.	.	.	.	.	.	1
Amritsar	„	.	.	.	.	.	.	.	2-50
Jubbulpur	„	.	.	.	.	.	.	.	1-50
Cawnpore	„	.	.	.	.	.	.	.	50

Enclosure C.

Answer to Question No. 140.

We respectfully beg to re-submit the following extracts from reports, as grounds for the need of more protection :—

Mr. Carr to Mr. Ascoli on 20th November 1923 :—

“ The Controller might get quotations from people holding large stocks who were willing to accept a cut price in order to enable them to get rid of their stocks.....”

Mr. Ascoli's reply :—

“ Last winter at any rate the home mills were not holding stocks, but were making only to order; and they were now willing to take orders sufficient to keep them running, but without making any profit.”

The Paper Makers' Monthly Journal, dated 15th December 1923, states :—

“ Here is an Industry (Paper) that is struggling for its existence against the unrestricted dumping in this country of thousands of tons of paper from countries with depreciated currencies. At the same time British mills are finding an increasing difficulty in disposing of their output.....”

The World's Paper Trade Review, dated 4th January 1924, says :—

“ The import from Germany into the United Kingdom have shown a startling increase.....thus further inflating an already expanded output..... It will be seen that the home mills have good reason for disquiet.”

The Paper Makers' British Paper Trade Journal, dated 1st January 1924, says :—

“ It may be taken as a fact that certain mills now absolutely flattened out by foreign competition will have to very seriously consider their position. The outlook is distinctly discouraging, to put the thing mildly.”

The Paper Makers' Monthly Journal, dated 15th January 1924, states :—

“ But the industry has been seriously handicapped by the large quantity of paper coming from foreign countries working under conditions with which it is impossible for us to compete.”

From the above it is evident that after the cessation of the war the output of paper has increased considerably in excess of the demand for it. Therefore, the foreign paper mills, so great in number and very old and firmly established, can sell off their paper at a loss which they can stand. (“ There is

much that redounds to the credit of the paper-making industry in its post-war history. First the courage with which it faced the earlier crisis when prices were cut below cost in order to instil a calmer confidence in the disturbed minds of buyers and consumers." The World's Paper Trade Review, London, dated 11th July 1924, p. 1.) Even if some foreign paper mills are obliged temporarily to close down for want of orders, it would not matter much to the industry as a whole; while in India (when there are only 8 paper mills existing at present, comparatively in an infantile stage) a great disaster will befall in the industry if one of the concerns is to cease working through keen foreign competition and dumping.

The foreign paper mills have availed themselves of all up-to-date inventions in machinery and discoveries in chemicals and raw materials, while we have been without them. Thus there can be no comparison at all between the foreign and Indian paper mills. We had all along been doing our best to obtain specifications and prices for the requisite machinery; we paid Mr. Barker (New York, United States) 500 dollars in 1920 for a complete specification, subject to its deduction from the purchase price; we had requested Mr. Mahesh Prasad Bhargava, M.Sc. (at present Assistant Paper Pulp Expert, Dehra Dun Research Institution) to go to Germany at our own expense (after the completion of his term at the Manchester College of Technology) for the sole purpose of studying thoroughly the up-to-date method of German paper-making machinery; Mr. Dawson (Messrs. Bertrams' representative) made a study of our machinery in detail for over a month in 1922, in order to quote prices for our machinery requirements. Had we then purchased the proposed new machinery and parts at prices then ruling, a heavy sum would have been written down after 2 years to our heavy loss. Our shareholders have full confidence in our working; we have been waiting for the opportunity for installing new machinery, etc., which we have not lost sight of.

The following further handicaps deserve kind consideration at the hands of the Tariff Board:—

A comparative statement of Bleach, Alum, etc., will give an idea of the price paid:—

Particulars.	Rate per ton c. i. f. Calcutta.	Landing and Forwarding and Customs duty, etc. per ton.	Railway freight per ton.	Total per ton.	The following percentages are in favour of home manufacture.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Per cent.
Bleaching powder	183 5 11	42 7 10	22 15 10	248 13 7	35.5
Alum	86 9 10	17 2 0	36 8 0	140 3 10	61.6
China Clay	63 13 2	17 6 3	36 8 0	117 11 5	84.0
Coal (Bengal and C. P.) average.	5 8 0	..	8 1 0	13 9 0	145.5
Caustic Soda	272 0 0	58 0 0	22 15 10	325 15 10	29.8

Amidst all these adverse conditions, we have had to face another unexpected misfortune: we had the good fortune of supplying Government water-marked paper (300 tons a year) and common badami (300 tons to 400 tons) to Government for a long period, i.e., for 10 years and 5 years respec-

tively, giving every satisfaction. Such Government orders enabled us to keep both the machines running, thereby reducing the cost. But our tenders for 300 tons of water-marked paper and 1,000 tons of unbleached war printing for 1924-25 were not accepted notwithstanding our competitive rates. The loss of Government patronage has been an additional blow to our mills.

Enclosure D.

Statement showing the rates of Primary and Auxiliary Raw Materials during the years 1914 and 1924.

Name of Articles.	1914.	1924.
	Rs. A. P.	Rs. A. P.
1. Raw Materials—		Rate per maund.
Rags	1 9 6	2 12 0
Patmal	1 8 6	2 8 0
Hemp Rope	2 5 6	3 10 0
Baib	1 2 10	2 8 0
Waste Paper	0 10 7	1 14 4
2. Auxiliary Raw Materials—		Rate per ton.
Bleaching Powder	183 2 7	249 14 11
China Clay	78 13 10	122 14 0
Caustic Soda	222 3 3	354 6 7
Rosin	225 0 0	327 5 0
Katni Clay	11 12 11	15 8 1
Alum	99 1 5	145 13 8
Lime	17 3 5	29 2 9

Enclosure E.

Letter from the Upper India Couper Paper Mills, Ltd., dated 1st July 1924.

With reference to my oral evidence held on the 23rd and 24th June, 1924, I beg to give below the quotations which we have received from four different manufacturing firms of England in 1919-22.

We are informed that (1) the total freight from Glasgow or any other British port to Calcutta is about £10,000 sterling on the above machinery, (2) that the approximate Government duty on cost is 2½ per cent., (3) that landing and forwarding charges are Rs. 3 a ton. (4) The railway freight from Calcutta to Lucknow with loading and unloading charges of Lucknow are over Rs. 20 per ton.

The cost of building and erection of the above new machinery are to be added to the above amount.

Any other information which you deem proper can be supplied from my head office at Lucknow if available.

Quotations.

1. James Millne & Sons, Limited, Milton House Works, Edinburgh.

Approximate cost of a complete paper mill plant, £125,000 sterling, f.o.b. Glasgow or other British port. Weight about 2,000 tons.

2. Boving & Co., Limited, 56, Kingsway, London, W.C.2.

Approximate cost of a new pulp and paper mill (excluding steam engine and drive) £88,500 sterling, f.o.b. Glasgow or other British port.

3. James Bertram & Sons, Limited, Leith Walk, Edinburgh.

Approximate cost of a complete paper mill plant (£68,847 *plus* 275=£69,122 sterling), f.o.b. Glasgow, or other British port.

4. Bentley and Jackson, Limited, Engineers, Bury, near Manchester.

Approximate cost of a complete paper mill plant £77,416 sterling, f.o.b. British port.



Enclosure F.

THE UPPER INDIA COUPER PAPER MILLS COMPANY, LIMITED, LUCKNOW.

Statement showing Profit and disbursement thereof since the years 1912 to 1923.

Half years ending on	Profits on paper manufacture.			Interest paid on Mortgage debts, etc.			Net amount of profit after allowing interest on Debts, etc.			Interest earned by the Coy. on Investments.			Balance of Profits brought over from last year's account.			Total Profits including last year's brought forward balance.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
30th June 1912	34,935	11	7	3,343	11	2	31,592	0	5	..	..	..	255	0	0	31,847	0	5
31st December 1912	19,032	1	8	3,126	10	4	16,152	7	9	..	..	..	247	0	5	16,399	8	2
30th June 1913	28,556	2	9	3,678	0	1	24,878	2	8	..	..	..	27,152	7	9	52,032	10	5
31st December 1913	30,103	1	8	4,389	4	10	25,714	2	10	..	..	..	21,834	6	4	47,550	9	2
30th June 1914	53,386	1	4	4,413	2	11	48,973	1	5	..	..	..	16,742	5	5	66,165	3	10
31st December 1914	57,212	1	2	4,617	0	10	52,595	1	7	..	..	..	27,234	6	3	79,928	13	7
30th June 1915	65,294	0	2	3,638	4	9	61,656	1	5	..	..	..	32,421	6	4	94,077	1	9
31st December 1915	79,426	13	10	2,787	9	11	76,639	3	11	..	..	..	41,959	2	7	1,18,598	6	6
30th June 1916	1,71,072	2	0	1,352	9	9	1,69,719	3	3	..	..	..	54,949	1	11	2,24,668	10	2
31st December 1916	2,88,518	12	3	..	..	..	2,88,518	12	3	876	14	8	82,766	10	2	3,52,162	5	1
30th June 1917	3,95,193	7	10	..	..	..	3,95,193	7	10	3,294	6	4	54,521	13	9	4,53,009	11	11
31st December 1917	5,29,807	1	8	..	..	..	5,29,807	1	8	8,889	4	10	6,478	0	4	5,36,969	6	10
30th June 1918	5,09,043	15	10	..	..	..	5,08,043	15	10	19,057	1	8	1,374	1	9	5,29,475	3	3
31st December 1918	5,88,434	12	2	Loss caused by fire.	..	..	5,87,877	0	4	23,080	9	3	3,213	10	1	5,53,981	3	8
30th June 1919	4,90,865	6	1	80,757	11	10	4,89,565	6	1	25,822	1	0	2,67,965	10	7	7,34,653	1	8
31st December 1919	4,85,779	4	8	..	..	..	4,85,779	4	8	27,522	6	4	1,72,165	15	10	6,86,407	10	10
30th June 1920	5,06,485	5	11	..	..	..	5,06,485	5	11	29,553	6	3	9,508	9	1	5,45,547	5	9
31st December 1920	4,44,026	15	0	..	..	..	4,44,026	15	0	42,081	0	3	6,350	5	7	4,92,407	5	7
30th June 1921	2,53,949	10	4	..	..	..	2,53,949	10	4	40,854	5	4	10,188	11	7	3,04,992	11	3
31st December 1921	2,15,376	1	7	..	..	..	2,15,376	1	7	44,857	13	0	8,665	5	8	2,68,899	4	7
30th June 1922	1,07,337	1	8	..	..	..	1,07,337	1	8	48,826	2	1	22,662	11	1	1,78,826	14	10
31st December 1922	6,343	4	10	..	..	..	6,343	4	10	53,930	5	11	15,043	6	0	75,325	1	7
30th June 1923	10,032	15	3	..	..	..	10,032	15	3	42,253	6	5	8,826	1	7	61,112	7	3
31st December 1923	9,400	13	6	..	..	..	9,400	13	6	27,064	4	8	1,612	7	3	19,875	14	5

Statement showing Profits and disbursement thereof since the years 1912 to 1923—contd.

Half years ending on	Amounts with- drawn from Reserve to meet depreciations or payment of divi- dends, etc.	Total amount availed for distribution of Dividends, Deyre- cation and Reserves.	DEPRECIATION ON			Dividend and bonus to the shareholders.
			Machinery.	Buildings.	Furniture.	
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
30th June 1912	From "Renewal to Machinery, Rs. 8,000 0 0 From "Renewal to Machinery," Rs. 42,000 0 0	39,847 0 5	13,000 0 0	2,550 0 0	50 0 0	24,000 0 0
31st December 1912		58,339 8 2	12,325 0 0	2,600 0 0	75 0 0	16,000 0 0
30th June 1913		52,032 10 5	8,621 3 0	1,556 4 8	90 12 5	20,000 0 0
31st December 1913		47,550 9 2	8,000 0 0	1,758 3 9	50 0 0	20,000 0 0
30th June 1914		60,165 3 10	12,221 1 10	2,674 7 3	35 4 0	24,000 0 0
31st December 1914		73,928 13 7	11,910 11 11	2,541 8 4	55 3 0	32,000 0 0
30th June 1915		94,977 1 9	11,000 0 0	2,600 0 0	105 0 0	36,000 0 0
31st December 1915		113,538 6 6	11,400 0 0	2,580 1 7	169 3 0	48,000 0 0
30th June 1916		224,668 10 2	11,700 0 0	2,602 2 6	199 13 6	64,000 0 0
31st December 1916		3,52,162 5 1	10,810 0 0	2,542 10 4	240 13 0	1,30,000 0 0
30th June 1917		4,53,009 11 11	10,400 0 0	2,604 11 0	442 0 0	2,00,000 0 0
31st December 1917		5,23,475 3 3	15,787 5 1	2,608 0 0	200 0 0	2,00,000 0 0
30th June 1918		5,53,981 3 8	15,420 10 11	2,650 14 3	190 0 0	2,00,000 0 0
31st December 1918		7,84,653 1 8	15,312 4 0	2,539 10 1	163 11 0	2,40,000 0 0
30th June 1919		6,85,467 10 10	13,700 0 0	2,655 9 10	131 8 0	2,40,000 0 0
31st December 1919		5,45,547 5 9	13,700 0 0	2,769 3 3	202 14 0	2,80,000 0 0
30th June 1920		4,92,467 5 7	13,175 0 0	2,812 10 8	200 5 6	1,80,000 0 0
31st December 1920	Profit on exchange rates. Rs. 71,539 13 0	4,92,467 5 7	12,379 0 0	2,403 14 0	185 12 0	2,40,000 0 0
30th June 1921		3,76,592 8 3	50,600 0 0	5,327 2 7	..	2,40,000 0 0
31st December 1921		2,65,899 4 7	50,541 4 9	5,695 4 9	..	1,60,000 0 0
30th June 1922	From Dividend and Bonus Ex. Fund. Rs. 1,06,000 0 0	1,78,825 14 10	34,848 8 0	5,034 0 0	..	1,20,000 0 0
31st December 1922		1,81,326 1 7	8,500 0 0	2,000 0 0	..	1,80,000 0 0
30th June 1923		1,31,112 7 3	5,000 0 0	2,000 0 0	..	1,20,000 0 0
31st December 1923		1,20,875 14 5	..	..	..	1,20,000 0 0
			3,71,252 1 6	66,096 7 11	2,787 3 5	31,86,000 0 0

Statement showing Profits and disbursement thereof since the years 1912 to 1923—concl.

AMOUNTS TRANSFERRED FROM PROFITS TO RESERVES IN ORDINARY TYPES. AMOUNTS TRANSFERRED FROM RESERVES TO PROFIT IN ITALIES.									
	Reserve Fund.	Reserve against Government Securities.	Bad and Doubtful Debts Fund.	Contingent Fund.	Stock and Stores Depreciation Fund.	Renewal to Machinery Fund.	Dividend and Bonus Equalization Fund.	Provident Fund for Em-ployees.	Bonus to Em-ployees.
	Balance Rs.		Balance Rs.			Balance Rs.	Rs.	Rs.	Rs.
30th June 1912	3,00,000		17,687-0-10			50,000			
31st December 1912	..	..	..	..	..	8,000	..	..	..
30th June 1913	..	..	..	..	..	8,000	..	..	..
31st December 1913	..	..	..	..	..	42,000	..	..	..
30th June 1914	..	..	..	..	..	..	..	..	..
31st December 1914	..	..	..	..	..	..	..	..	..
30th June 1915	..	..	312-15-2	..	..	..	..	..	..
31st December 1915	..	..	2,000	50,000	30,000	..	..	1,500	1,500
30th June 1916	..	..	47	..	20,000	50,000	..	2,000	2,000
31st December 1916	50,000	8,000	12,047	..	..	..	..	..	..
30th June 1917	50,000	12,000	..	..	30,000	1,50,000	..	3,600	3,600
31st December 1917	50,000	..	..	..	40,000	1,50,000	..	4,000	4,000
30th June 1918	50,000	..	..	..	30,000	2,00,000	25,000	3,000	3,000
31st December 1918	..	..	..	..	..	..	..	4,000	4,000
30th June 1919	1,00,000	..	..	..	25,000	2,50,000	..	6,000	6,000
31st December 1919	..	..	..	..	..	1,50,000	10,000	7,000	7,000
									* Rs. 1,87,287-0-6 on account of Excess Profits Duty and the Director's Fee thereon.
30th June 1920	20,000	10,000	..	50,000	25,000	2,50,000	..	8,000	8,000
31st December 1920	50,000	..	..	..	..	1,60,000	..	7,250	7,250
30th June 1921	25,000	..	..	..	..	40,000	..	7,000	7,000
31st December 1921	5,000	..	..	..	..	20,000	..	5,000	5,000
30th June 1922	1,00,000	..	..	50,000	50,000	..	2,06,000	3,000	3,000
31st December 1922	..	..	..	..	..	..	1,06,000	2,000	2,000
30th June 1923	..	..	..	..	..	..	70,000	2,500	2,500
31st December 1923	1,00,000	..	..	..	50,000	..	1,91,000	..	..
	5,00,000	30,000	30,000	50,000	1,00,000	14,20,000	73,000	68,750	68,750
							45,000 and interest on this amount.		

* This amount was paid directly out of the Profits.

Balance carried forward.

Rs. A. P.

247 0 5

27,152 7 9

21,834 6 4

16,749 5 5

27,934 6 3

32,421 6 3

41,050 2 7

51,949 1 11

62,766 10 2

54,521 13 9

6,473 0 4

1,374 1 9

3,3213 10 1

2,67,463 10 7

1,75,166 15 10

9,508 9 1

6,359 5 7

10,188 11 7

8,065 5 8

22,662 11 1

15,043 6 10

8,826 1 7

1,612 7 3

875 14 5

Enclosure G.

Statement showing the quantities of Raw Materials used during the years 1914, 1921, 1922 and 1923 for the Manufacture of Paper with rates and the prices.

Name of Articles.	1914.			1921.		
	Quantity.	Rate.	Amount.	Quantity.	Rate.	Amount.
A.—RAW MATERIALS—	Md. Sr. Ch.	Rs. A. P.	Rs. A. P.	Md. Sr. Ch.	Rs. A. P.	Rs. A. P.
1. Rags	46,996 20 0	1 9 0	73,318 5 1	39,997 29 0	2 14 11	1,06,024 9 8
2. Fatmal	25,869 2 0	1 7 9	38,473 10 3	31,937 8 0	2 11 2	86,091 9 0
3. Hemp Rope	14,598 21 0	2 5 9	34,455 7 1	14,076 23 8	3 12 2	55,223 8 1
4. Barb	49,251 4 0	1 2 10	58,033 15 4	37,090 24 0	2 9 11	97,267 2 1
5. Wood Pulp	206 Bale.	22 3 9	4,580 11 0	...	..	..
6. Waste Paper . . . . .	..	..	..	3,753 31 0	2 8 1	9,421 10 7
7. Khakee and Jute cuttings . . . . .	..	..	..	2,445 24 8	2 14 1	7,047 10 0
			2,08,862 0 9			3,61,076 1 5
B.—AUXILIARY RAW MATERIALS—	T. C. Q. lb.			T. C. Q. lb.		
1. Bleaching Powder	214 10 3 2	159 13 0	34,287 7 2	244 15 0 0	534 0 9	1,30,768 1 10
2. China Clay, English and Country.	219 0 0 2	77 8 3	16,976 3 1	226 8 0 0	169 3 3	38,368 8 10
3. Caustic Soda	239 0 3 23	224 11 9	53,711 14 7	203 5 0 0	487 8 7	99,692 11 0
4. Kosh	115 18 6 0	249 1 9	28,371 12 10	66 2 0 0	498 14 9	22,978 12 11
5. Soda Ash	20 18 0 0	109 2 4	2,281 3 1	12 9 1 0	155 10 3	1,937 11 9
6. Alum Ferric and Sulphate	285 14 3 24	124 12 0	35,047 6 0	400 18 2 0	203 13 1	81,712 3 9
7. Lime	Md. Sr. Ch. 13,831 12 0	0 10 4	8,973 14 9	Md. Sr. Ch. 19,843 26 1	1 1 3	21,371 5 0
			1,80,749 13 6			4,06,169 3 1
C.—POWER AND FUEL—	T. C. Q. lb.			T. C. Q. lb.		
1. Coal	14,155 16 1 2	10 3 9	1,44,969 3 6	14,949 2 1 0	13 1 9	2,70,731 12 7

Materials used in small quantities have been omitted.

Statement showing the quantities of Raw Materials used during the years 1914, 1921, 1922 and 1923 for the Manufacture of Paper with rates and the prices—continued.

Name of Articles.	1922.			1923.		
	Quantity.	Rate.	Amount.	Quantity.	Rate.	Amount.
A.—RAW MATERIALS—						
1. Rags	32,280 5 0	Rs. A. P. 2 15 1	Rs. A. P. 94,966 8 4	Md. Sr. Ch. 23,358 36 0	Rs. A. P. 2 14 7	Rs. A. P. 68,068 5 2
2. Patmat	36,736 39 0	2 11 1	98,840 6 9	15,861 34 0	2 10 6	42,158 0 9
3. Hemp Rope	11,420 36 0	3 13 6	43,903 13 5	13,617 31 0	3 13 8	52,504 2 1
4. Balb	25,912 13 0	2 8 7	65,796 11 1	28,023 36 0	2 10 5	76,999 7 2
5. Wood Pulp . . . . .	..	..	..	..	..	..
6. Waste Paper	3,925 4 0	2 3 4	8,671 9 1	2,052 8 0	1 14 6	3,919 0 8
7. Khakee and Jute cuttings	1,771 3 0	2 12 8	4,948 6 4	379 0 0	2 13 1	1,097 14 3
			2,17,127 7 0			2,44,716 14 1
B.—AUXILIARY RAW MATERIALS—						
1. Bleaching Powder	131 1 2 8	401 6 6	52,624 10 1	T. C. Q. lb. 141 11 1 0	293 14 1	41,599 0 0
2. China Clay, English and Country	82 10 0 0	178 13 2	14,752 14 3	120 10 0 0	132 10 3	15,983 6 5
3. Caustic Soda	135 5 0 0	481 14 0	65,173 15 5	184 0 0 0	377 1 5	69,384 12 9
4. Rosin	46 16 0 0	472 11 6	22,123 7 4	43 4 0 0	340 12 8	14,752 7 3
5. Soda Ash	25 18 0 0	184 15 0	4,789 15 3	10 18 0 0	185 7 1	2,021 5 11
6. Alum Ferric and Sulphate	308 10 1 0	209 3 6	64,544 7 7	263 9 0 0	172 1 1	46,115 2 2
7. Lime	17,631 28 0	1 2 8	20,642 5 10	Md. Sr. Ch. 11,236 12 0	1 0 5	11,556 13 8
			2,44,651 11 9			2,01,383 0 2
C.—POWER AND FUEL—						
1. Coal	11,922 9 2 0	19 3 7	2,29,230 2 6	T. C. Q. lb. 11,442 17 1 0	16 9 4	1,89,806 2 7

Materials used in small quantities have been omitted.

Enclosure H.

Letter from the Upper India Couper Paper Mills Company, Limited, dated the 26th July 1924.

In continuation of our letter No. 282-B, dated 11th July 1924, we have the honour to submit herewith a statement showing a sum of Rs. 14,03,945-11-5, which we had contributed (in reduced rates) to Government from 1914 to 1923.

If details related to the above statement are required we shall be glad to forward them.



Comparative statement showing our Bazar rates and the reduced rates charged to Government Departments from 1914 to 1923.

No.	Name of Departments.	Amount of rates prevailing in Bazar at the time of supplies.			Amount of reduced rates at which paper supplied.			Difference.		
		Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1	Railway Department	11,73,001	11	2	9,18,031	8	10	2,54,970	2	4
2	Director, Land Records	4,00,516	13	0	3,16,976	8	2	83,640	4	10
3	Controller of Stationery	31,50,956	5	4	23,61,235	13	2	7,89,720	8	2
4	Board of Revenue	1,63,488	15	0	1,26,167	1	4	37,321	13	8
5	Commissioner of Settlement, Central Provinces	1,57,433	14	6	1,29,649	0	4	27,784	14	2
6	Superintendent, Stationery, Madras	92,357	4	0	48,554	10	4	43,802	9	8
7	Superintendent, Government Press	2,72,662	12	0	1,99,837	13	10	72,824	14	2
8	Jail Department	46,487	8	0	44,296	14	0	2,190	10	0
9	Census Department	1,88,732	10	1	1,37,534	0	10	51,198	9	3
10	Indian Munition Board, Calcutta	1,087	8	0	775	0	0	312	8	0
11	Controller of Contract, Simla	24,694	8	0	17,905	0	0	6,789	8	0
12	Punjab Publicity Committee	99,067	5	0	66,177	15	10	32,889	5	2
13	Editor, War Journal	20,666	10	8	20,166	10	8	500	0	0
	TOTAL	57,91,153	12	9	43,87,208	1	4	14,03,945	11	5

APPENDIX A.

Statement showing the total expenditure of the production of paper during year

QUESTION NO. 109. FORM I.

Particulars.	1914.			1921.			1922.			1923.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1. Primary raw materials	2,06,113	13	10	3,61,746	5	9	3,17,813	13	8	2,45,349	10	11
2. Purchased pulp	4,580	11	0	..	..	..	..	..	..	..	..	..
3. Auxiliary raw materials	1,84,578	0	1	4,15,250	1	1	2,46,901	3	4	2,08,139	5	1
4. Labour and Establishment (which includes of Mill Labour European and office staff.)	1,19,675	4	6	2,71,640	8	7	2,75,934	7	6	2,21,936	15	5
5. Power and Fuel (Coal)	1,44,909	3	6	2,70,721	12	7	2,29,230	2	6	1,89,806	2	7
6. Ordinary current repairs and maintenance of building, plant and machinery.	91,364	14	0	2,11,145	12	3	1,67,678	9	3	1,38,549	14	9
7. General services, e.g., Income-tax, Freight on paper, General charges, postage stamp, Audit fee, Directors' Commission, etc.	67,269	3	2	2,67,189	5	6	1,89,680	9	11	1,34,229	10	10
8. Miscellaneous, e.g., rent, Municipal taxes, assurance, etc.	5,502	12	0	16,986	0	1	13,812	9	10	16,338	0	4
9. Nil . . . . .	..	..	..	..	..	..	..	..	..	..	..	..
TOTAL	8,23,993	14	1	18,14,679	13	10	14,41,051	8	0	11,54,349	11	11
OUTPUT IN Lbs.	6,195,635	..	..	5,813,009	..	..	5,194,096	..	..	3,795,955	..	..

APPENDIX B.

Showing the Works cost per ton of finished paper.

QUESTION No. 109. FORM No. IV.

	1914.	1921.	1922.	1923.	The following remarks refer to the high percentage in the cost for the year 1923.
1. Raw Materials	Rs. 74.52	Rs. 139.4	Rs. 137.04	Rs. 144.75	....
2. Purchased bleached pulp	1.65	..	..	..	....
3. Auxiliary raw materials	66.73	160.02	106.47	122.79	Superior quality paper manufactured.
4. Labour and Establishment	43.23	104.65	118.99	130.93	On one machine.
5. Power and Fuel	52.38	104.32	98.85	111.98	Shortness of coal.
6. Ordinary current, repairs and maintenance of building, plant and machinery.	33.02	81.36	72.29	81.73	....
7. General services, etc., Income Tax, Freight on paper, General charges, postage stamps, Audit fee, Directors' Commission, etc.	24.32	102.96	81.79	79.19	Income Tax.
8. Miscellaneous, e.g., rent, Municipal taxes, assurance, etc.	1.99	6.54	5.95	9.63	More fully insured-Octroi also new tax levy.
9. Any other charges . . . . .	..	..	..	..	....
TOTAL .	297.84	699.25	621.38	681.00	

**THE UPPER INDIA COUPER PAPER MILLS COMPANY,
LIMITED.**

B.—ORAL.

**Evidence of Mr. SAYYID NABI-ULLAH and Mr. GOBARDHAN
PERSHAD, recorded at Simla on Monday, the 23rd June 1924.**

President.—In answer to question 5 you say that the full capacity of your mills, as at present equipped, is 13 tons of paper daily.

Mr. Nabi-Ullah.—Yes.

President.—Are the mills worked right through the week?

Mr. Nabi-Ullah.—Except on Sundays. We close on Saturday afternoon at 6 o'clock and re-open on Monday at 6 A.M.

President.—You work only 6 days in the week?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Is it not a continuous process?

Mr. Gobardhan Pershad.—We have to stop on Sundays. We have to clean the steam boilers every Sunday, and the Factory Act does not allow us to work.

Mr. Ginwala.—Don't you work in shifts?

Mr. Nabi-Ullah.—Yes. We do.

Mr. Ginwala.—During the week don't you work 24 hours?

Mr. Nabi-Ullah.—We get them to work 10 hours a day.

Mr. Ginwala.—How many shifts have you in a day?

Mr. Nabi-Ullah.—Two.

Mr. Ginwala.—That does not give 24 hours work.

Mr. Nabi-Ullah.—No; we give the men 2 hours rest. But we keep extra men. Supposing in one department we require 30 men; we keep 36. These 6 men work for one hour after 6 hours.

President.—What is the equivalent in tons per annum of your daily output?

Mr. Gobardhan Pershad.—We are working 284 days per annum; it would be about 3,600 to 3,700 tons.

President.—You very nearly attained that output in 1906.

Mr. Nabi-Ullah.—Yes.

President.—That is apparently the year of highest output. Even during the war you did not succeed in attaining that output again.

Mr. Nabi-Ullah.—No.

President.—Is there any particular reason for that? During the war, I take it, you could sell all the paper you could make. There was no limitation of the market therefore, but was there any limitation of your capacity to produce?

Mr. Gobardhan Pershad.—We are not prepared to assign any reason.

President.—In answer to question 7 you say that your mill is advantageously situated in certain respects.

Mr. Nabi-Ullah.—Yes, it is on the banks of a river; water is there; grass is somewhere as near as we can get it. We cannot go to the grass because then the coal will be too far from us. If we go to the coal, the grass will be too far. Having regard to everything we think we are centrally situated.

President.—In answer to point (b) as regards coal, you say "Yes, to a certain extent." You mean you might be nearer to the coal, but if you were, you would be further off from the grass and other things?

Mr. Nabi-Ullah.—Exactly.

Mr. Ginwala.—You get your coal from the Bengal coalfields?

Mr. Nabi-Ullah.—Yes, but latterly we have got a little from the Central Provinces.

President.—Are you more certain of punctual delivery if you get coal from the Central Provinces?

Mr. Nabi-Ullah.—There is no trouble now of delivery.

President.—Your answer to the last part of question 7 comes to this, that you have got to weigh all these factors and balance one against the other in selecting a suitable site for a paper mill. You think that on the whole at Lucknow you are not badly off.

Mr. Nabi-Ullah.—I should say no.

President.—Is it better than Cawnpore, for instance?

Mr. Nabi-Ullah.—I should think so.

President.—Can you tell us why?

Mr. Nabi-Ullah.—The freight on the grass is cheaper. Unless the mill is right on the banks of the Ganges it won't be near water at Cawnpore. Then we are very near the Railway station and therefore materials come cheaper in Lucknow than in Cawnpore, also labour is cheaper. Of course as regards coal we are at a slight disadvantage. We have got to pay more freight than Cawnpore would.

President.—I am not sure that I understand your answer to question 9. Does it mean that in your opinion India is equally advantageously situated for the manufacture of any class of paper? You say "they should be classified as (a) good, (b) medium or (c) inferior. All the three, (a), (b) and (c), can be made in India." What we were trying to get at was a suggestion made by one witness, possibly Sir Willoughby Carey, before the Fiscal Commission, that most of the paper manufactured in India fell under two of these classes, and what we wanted to find out, with regard to the future of the industry, was whether manufacturers in India will be able to cover the whole ground. I rather understood that there are some kinds of paper which could not be manufactured in India.

Mr. Nabi-Ullah.—That is quite true. I am afraid we misunderstood this question. We thought 'laid' or 'watermarked' would be first class paper. Medium will be white printings or something like this, and inferior will be badami, brown cartridge paper or something like these.

President.—Looking at the paper trade broadly, and dividing the paper manufactured in the world into three classes in a rough general way, would you say that the best paper you make would be classified as good?

Mr. Nabi-Ullah.—Medium. Certainly not the very best quality.

President.—What is the reason? Why is it difficult to make the best quality of paper in India?

Mr. Nabi-Ullah.—It requires more elaborate machinery and the latest improvements: then, we do not get such good raw materials as would be required for the best paper.

President.—And of course there is also the further point that the total consumption of this quality of paper in India is very small. It may not be worth while for a business firm to incur the initial expense of installing the necessary machinery.

Mr. Nabi-Ullah.—Yes. Moreover, in England it is cheaper to get better cuttings of linens and so on, which are required for the best quality of paper. Here we get dirty rags only and that also with difficulty.

President.—In answer to question 10 you say "We make a larger variety of papers than a single manufacturer in Western countries commonly does,

owing to the nature of demand by the public." I want you to amplify this statement a little.

Mr. Nabi-Ullah.—I think there is some sort of understanding in Europe that certain mills would like to make certain kinds of paper.

President.—But still you have got to explain why in England the understanding arose and why in India it didn't?

Mr. Nabi-Ullah.—Well, take the legal profession here. In England you go to a lawyer, if it is a civil case and he is a criminal lawyer, he won't touch it. Here in India you go to a Muhammadan lawyer and he will accept a case of Hindu law, though he may have little knowledge of it.

President.—Can you quote a specific example of a firm in England that confines itself to a particular manufacture?

Mr. Nabi-Ullah.—This is not our personal experience; but that is the general idea we gathered from the Trade Papers and Reviews.

President.—Supposing it was suggested to your firm that you should specialise in some particular class of paper?

Mr. Nabi-Ullah.—We won't do it.

President.—Why not?

Mr. Nabi-Ullah.—Because we feel we won't be able to make any profit. The thing is, we have got agencies throughout the Provinces and they have got something like retail shops in every city. They have got to keep all kinds of paper in order to make up their collection for sale. Unless they keep all kinds of paper they find it difficult to sell, because they do not keep other makes along with ours. For example, in the Native States and big cities when they call for tenders, they want one person to supply all qualities of paper.

President.—Is it not a fact also that there is not a very large market in India for any one class of paper?

Mr. Nabi-Ullah.—I do not know.

President.—Take any particular class of paper: if you could command the whole of India, the demand might be enough to keep one mill making nothing else. But considering the size of India, one mill cannot cover the whole of the country. For example, how could you sell at Tuticorin or, say Dibrugarh?

Mr. Nabi-Ullah.—Take a particular area. Suppose there are 20 machines in India, each one of them could undertake one particular kind of paper, I expect.

President.—What is the total consumption of paper in India?

Mr. Gobardhan Pershad.—About 85,000 tons, I think.

President.—Well I have suggested this point to you, and it is for you to say what you think about it.

Mr. Nabi-Ullah.—Even Government order different kinds of paper. If different mills specialise in different kinds of papers, the Government will go to the specialising mills for the particular kind of paper, I think.

President.—I am not suggesting to you that you ought to specialise, but I was merely trying to go into this question a little deeper. What I am suggesting is that until the total consumption of paper increases a good deal, it does not seem to me likely that any Indian mill will be able to specialise very much. Are you prepared to express an opinion on this? If you have anything to say on the point we shall be very glad to hear it.

Mr. Nabi-Ullah.—If the production comes up to 80,000 tons, I suppose it is possible to specialise.

President.—At Lucknow you may not be able to keep your mill employed on paper of one special kind, because the demand for that kind within an economic radius of your factory would be insufficient. But if you were located in a place like Calcutta, where there is a relatively large local demand

it might be possible. If you like to think it over and let us know about it later on, you can do so.

Mr. Nabi-Ullah.—Very well.

Mr. Ginwala.—What is the smallest quantity that you can manufacture economically of one quality at a time? If you got an order for, say, 2 tons would it pay you?

Mr. Nabi-Ullah.—Yes, on special rates. It won't be an economical production.

Mr. Ginwala.—The smaller the quantity you have to manufacture at a time, the higher the cost of production, that is the difficulty to which the President is trying to draw your attention.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—You have got to manufacture many qualities in small quantities, is not that the position?

Mr. Nabi-Ullah.—That is so. But then it depends so much on our agents. We have got small agencies all over the country. One man says 'I would like to have blue paper' but he wants only one or half a ton; we cannot start work, but if two or three agents put in orders for the same quality of paper we do it.

President.—Of your raw materials rags are nearly a third, hemp and jute come to about another third, and grass is about a third also?

Mr. Nabi-Ullah.—Yes.

President.—The quantity of waste paper required is small, almost negligible in fact?

Mr. Nabi-Ullah.—That is so.

President.—But of the other three (taking hemp and jute together as one) approximately an equal quantity of each is required.

Mr. Nabi-Ullah.—Yes.

President.—In answer to question 14 you say "For 1 ton of unbleached pulp about $2\frac{1}{2}$ tons of primary raw materials are required," and in answer to question 15, namely "What quantity of each of the primary raw materials is required for the production of one ton of finished paper" you say "do. do." I am afraid I do not understand that.

Mr. Nabi-Ullah.— $2\frac{1}{2}$ ton of primary raw material will make one ton of unbleached pulp or 1 ton of finished paper.

Mr. Ginwala.—There is no loss in the stage between pulp and paper?

Mr. Nabi-Ullah.—There is very little difference.

President.—There is no further loss after the pulp stage?

Mr. Nabi-Ullah.—No.

President.—It would read better if you had said "For one ton of unbleached pulp, or one ton of finished paper, about $2\frac{1}{2}$ tons of primary raw materials are required."

Mr. Nabi-Ullah.—That is so.

President.—In answer to question 17 you say you draw your primary raw materials from different places. Which raw materials?

Mr. Nabi-Ullah.—Rags, hemp, jute from the United Provinces, the Punjab, Rajputana and the Central Provinces, grass from the Nepalganj Forests, the Kheri Forests and the Dehra Dun Forests.

President.—You are referring only to the hemp and jute and the grass?

Mr. Nabi-Ullah.—Hemp and jute come from the same places, the United Provinces, the Punjab, Rajputana and the Central Provinces.

President.—And the grass?

Mr. Nabi-Ullah.—From the three forests, Nepalganj, Kheri and Dehra Dun.

President.—Then as regards rags you can hardly say that they come from any one place. So to speak rags are not natural products!

Mr. Nabi-Ullah.—We do not go to the bazar for it. We have got agents who collect these for us.

Mr. Ginwala.—Does hemp and jute mean clean hemp and jute?

Mr. Nabi-Ullah.—No. Our contractors have to employ men to pick up these things, old gunny bags and things like that, from all sorts of places.

President.—Let us concentrate on definite natural products. How far are the Nepalganj Forests from Lucknow?

Mr. Nabi-Ullah.—A little over 200 miles.

President.—And the Kheri Forests?

Mr. Nabi-Ullah.—About the same.

President.—And the Dehra Dun Forests?

Mr. Nabi-Ullah.—Will be about 400 miles.

President.—Are these the forests where you have always been obtaining your grass from, or, since the mill was established, have you changed your sources of supply?

Mr. Nabi-Ullah.—We have changed in this sense: first of all we were getting from Nepalganj a very superior kind of grass, but then the competition came in. The Bengal Mills came up as far as Nepalganj for their grass. Then we did not get that grass cheaply. Sometimes we did not get it at all, and if I may use such an expression 'they kicked us out.' So, we had to go and look for fresh forests. We came into the forests in the plains at Kheri and Dehra Dun and the grass there is not so very good as it was at Nepalganj.

Mr. Ginwala.—It seems that you use very little of it as your raw material. Grass is only about 30 per cent.; so you can hardly say it is your primary raw material.

Mr. Nabi-Ullah.—We use about 50,000 maunds.

President.—You have told us that for 1,800 tons of output you require 1,125 tons of Sabai grass. That is your own statement. That is all we know.

Mr. Ginwala.—Let me put it this way. The total quantity of raw materials required is 3,637 tons.

Mr. Nabi-Ullah.—Yes, for 1,800 tons of output, but that is not our full capacity.

Mr. Ginwala.—But the proportion is the same. Of the total quantity, less than a third is grass, so that it can hardly be said that your natural resources are fully utilised.

Mr. Nabi-Ullah.—Our present output being 1,800 tons, we use only 1,125 tons of Sabai grass, but when we come to the full capacity of 3,000 tons we would purchase 1,875 tons of grass.

President.—But the proportion is the same.

Mr. Ginwala.—It is only 30 per cent. One of the conditions, as you know, laid down by the Fiscal Commission and accepted by the Government and the Legislative Assembly, is that any industry that wants protection must have certain natural advantages.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—In your case, one thing that is naturally produced is grass.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—And of that you are only able to use 30 to 31 per cent., so that it can hardly be said that it fulfils that condition.

Mr. Nabi-Ullah.—Quite so.

Mr. Ginwala.—You have got to depend on hemp, jute and rags which are not natural products.

President.—At least they are natural products at the second remove.

Mr. Ginwala.—Ordinarily the yield from your grass is about 45 to 50 per cent.

Mr. Nabi-Ullah.—It is less than the yield from other raw materials.

Mr. Ginwala.—But it ought to be cheaper. Rags cost Rs. 75 a ton, whereas grass costs less. I want to know this. Do you use these other raw materials because you find some difficulty in getting your natural raw material which is the Sabai grass, or is it because you require these other materials for special qualities of paper? Why is it that you use such a small percentage of grass and such a high percentage of the other materials?

Mr. Nabi-Ullah.—Rags and hemp are a little cheaper to us than grass.

Mr. Ginwala.—Because you get a bigger yield?

Mr. Kishenlal.—The initial price of grass is small but we have to use more chemicals. In the case of other materials, we use less chemicals. We have to use grass for certain classes of paper, but in the common paper we use more of rags and less of grass. All these three materials are not used for only one kind of paper.

President.—Let me put it to you this way. Do these relative proportions of the different materials differ from your pre-war practice, or are they much the same?

Mr. Nabi-Ullah.—About the same.

President.—For a long time past you have been manufacturing very much the same kind of paper as you are manufacturing now?

Mr. Nabi-Ullah.—Always the same kinds of paper.

President.—There has been no particular change in this respect?

Mr. Nabi-Ullah.—None.

President.—In your answer to question 18, you say "We employ contractors to supply us the above primary raw materials"; that is to say, in the case of grass, your contractor has his own arrangements with the Forest people?

Mr. Nabi-Ullah.—Yes.

President.—You are not concerned with it?

Mr. Nabi-Ullah.—No, we are not concerned.

President.—You merely ask him to deliver to you so much grass?

Mr. Nabi-Ullah.—Yes.

President.—For that reason you are not in a position to tell us really anything about the conditions in the forests?

Mr. Nabi-Ullah.—That is so.

President.—I would only just like to remind you again of what Mr. Ginwala suggested as to the importance of ascertaining that there is an adequate supply of raw materials for the manufacture of paper in India if the industry is to develop. I gather that, in the case of rags, for instance, you have got to take some trouble to get them?

Mr. Nabi-Ullah.—Yes.

President.—And the supply is not unlimited either?

Mr. Nabi-Ullah.—The supply is precarious.

President.—A doubt has been suggested about the adequacy of the supply of grass in the quotation from Mr. Pearson's evidence which we gave in the questionnaire. I want to explain to you that it is a point which we have got to consider and satisfy ourselves about, but I gather that you are not in a position to say anything on that?

Mr. Nabi-Ullah.—We could not tell you very much about it, but we are informed that grass is available for the mills that are working in India.

President.—I notice in your answer to question 20, the price of waste paper has gone up 233 per cent. since 1913-14.

Mr. Nabi-Ullah.—It has not gone up in that sense. It is not a marketable commodity. Some offices have got some waste paper and they ask us "Will you buy these and, if so, what will you pay."

President.—I don't know whether you are buying the contents of the Secretariat waste paper baskets. They sometimes sell.

Mr. Nabi-Ullah.—Not much.

President.—I notice that the cost of grass has gone up by 130 per cent., whereas the prices of other things have gone up by 70 to 73 per cent.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—What is 'Patmal'?

Mr. Nabi-Ullah.—It is jute.

President.—There again it is rather important that the cost of grass is going up very heavily.

Mr. Nabi-Ullah.—Many years ago, our contractor approached the Nepal Durbar. The Durbar were then willing to accept whatever they could get for their grass, because to them it was of no value at all. The down country mills people came to know where our grass came from, and they approached the Nepal Durbar who at once realised that it was of value and that it was worth something.

Mr. Ginwala.—Is your mill older than the Titaghur Mill?

Mr. Nabi-Ullah.—We started in 1879, but the mill began to work in 1882. We are now 42 years old. Perhaps we are almost of the same age.

Then there is another reason for the grass being more expensive. We have now got to go further into the field to get our grass. First of all it was just at the bottom of the hill. Then we could cut and bring as much as we liked. Now we have to go up higher and higher and the cost of transport is also going up. This is only our conjecture.

Mr. Ginwala.—That is what Mr. Pearson has said in his note.

President.—On that basis it does not seem that the production of paper in India can expand very much. If there were a rapid expansion in production, there would be a very rapid increase in the price of the raw material. That is where the difficulty comes in.

Mr. Nabi-Ullah.—We cannot say anything about that.

President.—Our duty is to bring this to the notice of the manufacturers so that they may have full opportunity of saying anything that can be said on the other side. That is the importance of it just now.

Mr. Nabi-Ullah.—We cannot express any opinion.

Mr. Ginwala.—According to Mr. Pearson, there is no room for expansion if you depend entirely on Sabai grass.

Mr. Nabi-Ullah.—We are not in a position to contradict him, but we don't agree. That is our position.

President.—It is rather necessary, if you wish to rebut that opinion, that you should be able to give reasons on the other side.

Mr. Nabi-Ullah.—Quite right, but we have no data, that is because we do not go to the forests ourselves. Our contractors do. But they assure us that they have ample resources to supply our present and future needs at a reasonable rate.

Mr. Gobardhan Pershad.—Mr. Raitt has published a book.

Mr. Ginwala.—We are now concerned with the Sabai grass which is principally used. Mr. Pearson's case is this. I don't think that Mr. Raitt differed from him. What Mr. Raitt says is that it is not necessary to depend solely on Sabai grass because there are other grasses. We are not dealing with those grasses just now. We find that most of the factories use chiefly Sabai grass, and the question then arises, is there a sufficient quantity of Sabai grass to justify any protection that may be given?

Mr. Nabi-Ullah.—I submit that we are not in a position to make any statement on that point. We have never been out of Lucknow. We rely on the contractors. We advertise and tenders are put in.

Mr. Kale.—You have not paid any attention to this aspect of the question?

Mr. Nabi-Ullah.—No.

Mr. Kale.—When you are finding it more and more difficult to secure your raw materials, you have never considered what the prospects are, what the limitations are, and so on?

Mr. Nabi-Ullah.—Not at all.

President.—I notice you say in answer to question 23 that there has been a gradual diminution of the supply of rags in certain areas from which you have been getting them.

Mr. Nabi-Ullah.—Yes.

President.—To what cause do you ascribe this?

Mr. Nabi-Ullah.—Because of the poverty, people have not got enough money to purchase new *dhotis*, etc., so many times a year.

President.—I imagine that during and immediately after the war that was the case.

Mr. Nabi-Ullah.—That was so, even now. *Dhotis* which could be bought for a rupee cost two rupees now.

Mr. Ginwala.—Do they wear them longer?

Mr. Nabi-Ullah.—Therefore to get their money's worth, they wear longer and we get them now in a threadbare condition. In pre-war days, we had good stuff coming in.

President.—As regards your reply to question 31: the question was "Apart from Sabai grass are there any other grasses in India which are suitable for pulp manufacture" and you say "Paddy, straw, Ulla grass, Moonj are suitable for pulp manufacture." The point is, have you ever tried them yourselves?

Mr. Nabi-Ullah.—We have tried them, but we would like to tell the Board that Moonj is a very good substitute, but it comes very expensive. It wants a lot of chemicals to boil it down to the pulp condition.

President.—Moonj is the one you tried?

Mr. Nabi-Ullah.—We tried paddy straw also. There is not enough substance in that. There is a lot of substance in Moonj but the cost of boiling it is too much.

President.—As far as you are concerned, you have not been able to satisfy yourself that these materials can be used on a large scale? I am not suggesting that you deny that they can be used, but that your experience has not supplied any evidence in favour of them yet.

Mr. Nabi-Ullah.—Our experience shows that Moonj and Paddy straw cannot be used economically. With regard to paddy straw, there is not sufficient substance. With regard to Moonj, it wants a lot of chemicals to boil it down. Sabai is the cheapest.

President.—In reply to question 38 regarding auxiliary raw materials, you have given us a table showing the country of origin, f.o.b. price, port of importation, etc. But in the column headed Customs duty you have merely put 15 per cent. What we wanted to get at, if possible, was the actual amount you pay upon one ton, whatever it is. You merely say 15 per cent. I don't know what that 15 per cent. is calculated on, whether it is on a tariff valuation or on the invoice value. If it is an *ad valorem* duty, it will be charged on the c.i.f. price, but it may be a tariff valuation. In that case, it is different.

Mr. Nabi-Ullah.—Our Accountant says that it is on the invoice price.

President.—In answer to question 38 (b) you say that you purchase rosin made at Bhavali by the Indian Turpentine and Rosin Company. Do you find that rosin satisfactory?

Mr. Nabi-Ullah.—Quite good.

President.—I have heard it suggested that the Indian rosin is not satisfactory for paper manufacture.

Mr. Nabi-Ullah.—We find it satisfactory.

President.—Have you been using it for some time?

Mr. Nabi-Ullah.—About 4 or 5 years.

President.—You have had no difficulty?

Mr. Nabi-Ullah.—No, before that we were using American rosin.

President.—Is it cheaper than the imported rosin?

Mr. Nabi-Ullah.—Cheaper and equally good.

President.—That is important.

Mr. Ginwala.—You say that you do not make your own chemicals?

Mr. Nabi-Ullah.—We do not manufacture chemicals.

Mr. Ginwala.—Why do you require so much lime? You get your caustic soda from abroad.

Mr. Nabi-Ullah.—For boiling rags, we require lime.

Mr. Ginwala.—It is a very large quantity you use?

Mr. Nabi-Ullah.—We use it for bleaching.

Mr. Ginwala.—What do you use caustic soda for?

Mr. Nabi-Ullah.—We boil the Sabai grass with caustic soda and the rags, jute and hemp with lime.

Mr. Ginwala.—You boil rags, jute and hemp with lime only?

Mr. Nabi-Ullah.—Yes, we don't use any caustic soda.

Mr. Ginwala.—Do you boil these separately?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Then, what do you do?

Mr. Nabi-Ullah.—We break them and make them into pulps and after making them into pulps, we mix them. We treat them separately till they are made into pulps.

Mr. Ginwala.—Is it the ordinary process?

Mr. Nabi-Ullah.—Yes, in boiling we use lime or caustic soda. After that we wash it, bleach it and make it into pulp.

Mr. Ginwala.—You take a certain percentage of each kind then.

Mr. Nabi-Ullah.—Yes, after it has been made into pulp.

President.—In reply to question 39, viz.: "Which of the auxiliary raw materials, if not already manufactured in India, are likely to be manufactured," you say that China clay is already manufactured. I think that the Titaghur Mills had found a source of China clay in Chota Nagpur, but I gathered that they were not satisfied with the quality. It is quite true that China clay is produced in India, but it is not yet clear that it is much of a success.

Mr. Nabi-Ullah.—We tried some of that and we were not quite satisfied.

President.—Do the Titaghur Mills make bleaching powder?

Mr. Nabi-Ullah.—I think so, they make bleach liquor.

President.—You say that caustic soda is made in India.

Mr. Nabi-Ullah.—It is already made in India. Magodhi Soda Co. make it.

President.—Who manufactures alum?

Mr. Nabi-Ullah.—Bengal Chemical Works.

President.—In answer to question 44, you say "we employ 3 expert supervisors at present." Are these brought from abroad?

Mr. Nabi-Ullah.—Yes.

President.—Are they men of the foreman class or higher?

Mr. Nabi-Ullah.—They are lower than foremen. They are what we call paper-makers in charge of beaters, and they are machinemen. There are two different departments in a mill, viz., beating room and machine room.

President.—Have you got these three men?

Mr. Nabi-Ullah.—Yes.

President.—That is all you have?

Mr. Nabi-Ullah.—Yes, at present. First of all the whole mill was manned by European staff. The manager, foreman, beatermen, machinemen and engineer were all Europeans. Then we started training our own apprentices. Our present manager is one of our apprentices who started on Rs. 16 a month. We are gradually dispensing with the imported staff.

President.—I am very glad you have mentioned it, but in your answer to question 46 you say "we never had imported labour."

Mr. Nabi-Ullah.—This question was misunderstood at the office. What we mean is that we don't import coolies from abroad.

President.—It would be a good answer to the first sentence of question 46 "What progress has been made since the factory was established in the substitution of Indian for imported labour," if you could give—intervals of, say, 5 years—the number of imported workmen—Europeans or Americans—employed in any capacity in the works.

Mr. Nabi-Ullah.—I have been away. I only dropped in for an hour or so at the office. I had left a note asking the office to prepare a statement showing how we started with European staff and how we gradually substituted Indians for them.

Mr. Ginwala.—The Assembly is particular about finding how much Indian labour is employed, and therefore it will be to the advantage of every industry to point that out.

Mr. Nabi-Ullah.—We will send you a statement later on. Shall we give it from the very beginning?*

President.—If you can give it from the beginning so much the better.

Mr. Nabi-Ullah.—We shall tell you when we began to put Indians in charge of machine and beating departments and show the diminution in the number of Europeans, etc., and increase in the number of Indians employed.

President.—I see there has been a very heavy increase in the wages of Indian labour before the war—something like 147 per cent.

Mr. Nabi-Ullah.—Yes. That is so.

President.—In answer to question 51 you say "The Indian skilled labourers improve with training and compare very favourably with workmen in the Western countries, provided we could afford better wages for them." You have given, since 1914, an increase in wages a great deal more than the rise in the cost of living. Have you noticed any increase in efficiency in consequence? What it comes to is this: In answer to question 51 the opinion is indicated that provided you raise the wages you could get more efficient work. You have in fact raised the wages: I want to know whether you have got more efficient work. The cost of living has risen by 75 per cent. and you have given an increase of about 140 per cent.

Mr. Nabi-Ullah.—We would like to say that the Indian labour does improve with training. With regard to the labour here I take it it meant cooly labour and not the engineer or the manager?

President.—Both equally. The question is "Has it been found that the Indian labourer improves with training?" Your answer is "Yes". The next question is "How does his efficiency compare with that of workmen in Western countries employed in similar work?". Usually one very good test of the efficiency of labour in different countries is how many men are employed in each country to do the same job.

Mr. Nabi-Ullah.—There is skilled and unskilled labour. With regard to unskilled labour we know absolutely nothing about the statistics in Europe. We plead complete ignorance in this matter. With regard to skilled labour I think it makes no difference. If he is a machineman, for instance, he does the same work, 12 hours—whether here or in England.

President.—If you have no practical experience of conditions in European countries, or have not got the statistics you are not in a position to answer the question.

* *Vide* Statement II, Enclosure A.

Mr. Nabi-Ullah.—Exactly.

Mr. Ginwala.—In your case you really do not require much expert labour for this reason that you are not manufacturing your own chemicals, for chemicals require a good deal of expert knowledge. The rest practically resolves itself into mechanical knowledge of machinery.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Of course I admit you require a certain amount of chemical knowledge just to know how much chemical to put in connection with a process but that is comparatively—

Mr. Nabi-Ullah.—Yes: that is merely mechanical.

Mr. Ginwala.—That is why you are not in a position to compare, and in your case you find the work done by the Indian mechanic quite as good as that of the imported mechanic.

Mr. Nabi-Ullah.—Yes.

President.—The real point is that question No. 51 can only be answered by somebody who knows conditions in Europe.

Mr. Nabi-Ullah.—What we submit is this: We divide labour into two classes, skilled and unskilled. Regarding unskilled labour we can say nothing as to how much work is done by men in England. With regard to skilled labour we think there is no difference.

President.—Have you found that the substantial increase in pay has resulted in greater efficiency?

Mr. Nabi-Ullah.—The increase in pay in the case of Indians—

President.—I simply put this point whether this substantial rise in pay has been accompanied by increased efficiency.

Mr. Nabi-Ullah.—No.

Mr. Kale.—What is meant by skilled labour? In the answer to question No. 48 skilled labour is distinguished from carpenters, fitters, etc. Do you mean to say that carpenters are not skilled labour?

Mr. Nabi-Ullah.—Manager, foremen, beater-men and machine-men are included in skilled labour and the others come under unskilled.

President.—About this very large increase in pay, has there been the same increase in all industries in Lucknow?

Mr. Nabi-Ullah.—Must be in almost all: but I am not in a position to say to the Board exactly what increase there has been.

President.—Large though the rise in wages has been, I doubt if it has gone as high as 147 per cent. in most places. Certainly at Jamshedpur there has been no increase of wages on that scale.

Mr. Nabi-Ullah.—Once upon a time we used to pay Rs. 8 to the coolies and we now pay Rs. 25. You cannot get now syces under Rs. 15.

President.—In your opinion the increases given in your factory are approximately on the same scale as in the case of other industries in Lucknow.

Mr. Nabi-Ullah.—I think so. It is not because of an increase in efficiency that we have to pay more but because the men want more. You cannot get a punka puller on Rs. 4 a month now. In 1914, the total amount spent on labour was Rs. 56,000. In 1923, the total stands at 1,20,000 but in 1923 we have been running one machinery for about ten months and we dismissed about 150 men. If we had not dismissed the 150 men and got the total outturn the figures would come to something like, 1,50,000, if you take Rs. 20 as the average wage for a man. We have taken 100 as the original wage and calculated an increase of 147, i.e., to the men whom we paid Rs. 100 we have got to pay Rs. 247.

President.—I see that the war allowance has come down since 1923. Your answer shows that the war allowance at that time came to Rs. 49-6-6 when a man's pay was Rs. 100: I gather that it has come down to Rs. 25.

Mr. Nabi-Ullah.—On 15th September 1919 we gave 15 per cent. on the regular pay. In 1920 they demanded a further increase of 10 per cent. on the then regular pay which comes to Rs. 11-8-0 on Rs. 100.

President.—Take the man who had been drawing Rs. 100 in 1914. You show here that he is drawing Rs. 247 now. Before 15th January 1923 he had been drawing even more than that. Apparently he had been drawing Rs. 298 before that date, as you say that half the war allowance has been cut off from that date. Is Rs. 247 the pay before you cut off half the war allowance or after?

Mr. Nabi-Ullah.—Before?

President.—Then that man would be getting less now: That is the point Mr. Ginwala has put. He would be getting now Rs. 225.

Mr. Ginwala.—That surely is a very big increase—from 100 to 225.

President.—I think the index number of wholesale price is 170. The 1914 prices being taken as 100. In the next section about power, in answer to question No. 56, I see that the average quantity of coal used is a little over 5 lbs. to a pound of paper, out of which you reckon half for producing pulp and half for making paper. At present you are producing 1,800 tons of paper and so you are using 9,000 tons of coal.

Mr. Nabi-Ullah.—That is only for to-day.

President.—If you made 3,000 tons of paper you would require 15,000 tons of coal.

Mr. Nabi-Ullah.—Running half the mill we use a little more coal.

President.—You have told us that the average quantity of coal is a little over 5 lbs. to a lb. of paper? What would you substitute for that now? Is that figure of 5 lbs. arrived at on the basis of the present production or your full production?

Mr. Nabi-Ullah.—It is based on the total capacity.

President.—So that it may be little higher now.

In answer to question 57 you say that the freight for fuel is from Rs. 8-4-0 to Rs. 10 a ton. Rs. 10 is for Central Provinces coal and Rs. 8-4-0 for Bengal coal, I think.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—You use also second class coal.

Mr. Nabi-Ullah.—Good second class.

President.—The freight always comes heavy on second class coal, does it not?

Mr. Nabi-Ullah.—The freight is less on the other but comparing the total cost this is cheaper.

President.—In answer to question 62 “Is it likely that the Indian demand will substantially increase in the near future? If so, what are the reasons for the belief?” you say “It is very likely that the Indian demand for paper will substantially increase in the near future, if the cost of living goes down to that of pre-war days, and education grows more popular as it is hoped.” This is a very hypothetical answer. Personally, I have no hope at all of the cost of living going down to the pre-war figure. I only wish it would.

In answer to question 63 you say that your principal markets are the United Provinces, the Punjab, the North-West Frontier Province, the Central Provinces, Rajputana and Central India.

Mr. Nabi-Ullah.—Yes.

President.—That is what one would expect. Could you say you sell more paper in one of these areas than in the other?

Mr. Nabi-Ullah.—We sell mostly in the United Provinces.

President.—And of the others?

Mr. Nabi-Ullah.—In the same order in which they are given in the answer, the Punjab, North-West Frontier, Central Provinces, Rajputana, and Central India.

President.—In answer to question 64 "Are there any markets in India in which, owing to their distance from the ports, you are more easily able to compete against the foreign manufacturer?" you say "No" but surely that is impossible. You must find it easier to compete in the United Provinces than in the Central Provinces because the latter are nearer to the ports. The point is not very important, but it is hardly a correct answer.

Mr. Nabi-Ullah.—It is so but in Lucknow we are very favourably situated.

President.—In answer to question 74 "Is the competition keener in some kinds or qualities of paper than in others? If so, please specify these kinds and qualities?" you say "Yes, in all grades." Surely, that cannot be so: there must be some kinds of paper in which there is less competition, *e.g.*, Badami paper.

Mr. Nabi-Ullah.—There is more competition in white printing paper than in others.

President.—And a good deal less in the Badami and commoner papers?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—In answer to question No. 76 "Please state in respect of those kinds of paper which form the bulk of your output (1) the prices at which imported paper has entered the country and been sold during (a) 1912, 1913 and 1914 (b) 1917 and 1918 (c) 1921-22, 1922-23 and 1923-24," you say "Cannot say." Why?

Mr. Nabi-Ullah.—We have not got the accounts.

Mr. Ginwala.—Don't you keep yourself in touch with the market?

Mr. Nabi-Ullah.—I am afraid not.

President.—Is it not very important that manufacturers should keep in touch with their markets?

Mr. Ginwala.—In the evidence given before the Fiscal Commission by other firms, they laid a great deal of stress upon the fact that paper was being sold at very unremunerative prices, and that was one of the reasons why they wanted protection. You yourself say that you want protection because of this, and yet you have not given any evidence of what the foreign prices are.

Mr. Nabi-Ullah.—We will give you some idea. The Controller of Stationery and Printing gave us the English and foreign prices as against our prices in tenders against which we had to compete.

(Witness gave the figures from a statement.)

Mr. Ginwala.—Apart from this statement, have you got any other source of information? You have got customers: do not they come and tell you that you are quoting so much a lb. while foreign manufacturers charge so much?

Mr. Nabi-Ullah.—We have only had Government as our chief direct customers. Then we have the agents. They only say that the price is too high—they never quote others prices—and ask us to try and reduce the price, but they won't place orders with us at our rates.

President.—In answer to question 80 "In which of the Indian markets is foreign competition keenest," you say "All over India." There again, I am afraid, that is hardly a right answer. It must be near the ports.

Mr. Nabi-Ullah.—These answers are worth nothing. Evidently office thought every question must be answered.

President.—I quite understand that you may be unable to supply the freights for the imported stuff. But you can at least tell us the freight you have to pay for your own paper to some of your most important markets, *e.g.*, Lahore, Peshawar, etc. If you could give us that it would be useful.

We shall probably be able to get the freight rates on import paper from other sources and we can then make the comparison.

Mr. Nabi-Ullah.—We shall give you to-morrow the freights to the most important towns.*

President.—In answer to question 85 (c) you consider that the Indian manufacturer is at a disadvantage in the case of efficiency of ordinary labour due to poor wages. There again is a suggestion that improved wages lead to improved efficiency. I think we have already asked some questions about that, and I suggest that it is a doctrine which requires considerable qualification. The ordinary statement one hears is this. In Europe or in America wages are comparatively high and the efficiency of the workmen is high also. In India wages are very low but the efficiency is very low, so that the one thing counterbalances the other. What we rather wanted to know was whether your experience in Lucknow suggests to you any comparison on that sort of basis. However, I do not press that point further as you have no practical acquaintance with the conditions outside India.

Mr. Nabi-Ullah.—Yes.

President.—In answer to question (f) with reference to the same question you say "Yes, the railway freight in particular should, in our opinion, be reduced." If that is so, it is all the more necessary that you should tell us what the railway freights are. When you are giving these railway freights if you happen to know what the rate per maund per mile is that the Railway charge, it would be useful. If you know it you might put it down; if not, do not worry about it.*

Mr. Kale.—You might give it both for your raw materials and your finished product if you have got any special rates.

Mr. Nabi-Ullah.—We shall let you have it.

Mr. Ginwala.—In question 85 we asked that where possible definite figures should be given. What we wanted really was to try and ascertain in terms of money, where possible, how much worse off you were as compared with your foreign competitors. For instance, take plant and machinery. In Great Britain, supposing it costs £100,000 for a certain machinery, we wanted you to point out that here it would cost, say, £120,000 or £110,000 including freight and various other things. That is the sort of thing we wanted you to give us under each heading.

Mr. Nabi-Ullah.—We can probably give you that.

Mr. Ginwala.—The same thing about foreign labour. You say, you have got only 3 European workmen and your disadvantage is small in that matter. Then, take (h) for instance—"Customs duty on imported materials." You might have given us figures to show how much it cost you.

Mr. Nabi-Ullah.—We shall give you the information you want.†

President.—In answer to question 87—"Do you consider that your mill is sufficiently large as an economic unit of production to ensure economy? What in your opinion is the smallest unit of production which can be operated economically under present-day conditions?"—your answer is "About 15 tons of paper daily is the smallest unit of paper which can be operated economically under the present day condition of our mills." We were not thinking of your mill at all. A great point is made about the economies resulting from mass production. That means that it may be more and more difficult to operate at a profit a factory with a small output. It might be possible now to work a factory with an output of only 15,000 tons a year, but twenty years' hence, it might be necessary to secure an output of 25,000 tons a year in order to have a chance of survival.

Mr. Nabi-Ullah.—I am afraid the question had not been properly understood.

President.—Think it over as I have explained it. If you have any definite opinion let us have it. If you find that you haven't got any definite opinion, you need not worry about it.

* *Vide* Statement II, Enclosure B.

† *Vide* Statement II, Enclosure E.

Mr. Nabi-Ullah.—We will take a note of it.

President.—In answer to question 91—"Do you consider your machinery and other equipment sufficiently up-to-date and efficient to enable you to compete successfully against the foreign manufacturer," you say "Yes, with a little alteration and addition to machinery provided there is no vindictive competition." It is always a question of opinion whether competition is vindictive or not. What I am anxious to know is something different. Going on to the next question—"Is it a fact that during and since the war many improvements have been effected in pulp and paper-making processes and machinery" and the next question "Have you since 1914 adopted any new process of manufacture or have you installed new plant and machinery.....", you say "No, excepting only necessary additions and alterations." That at once raises the question whether you are up-to-date in your equipment.

Mr. Nabi-Ullah.—We are not.

President.—Then it would hardly be the right answer again. Can you tell us what was the latest date on which you made substantial addition to or replacement of your plant? Has not there been any since 1882?

Mr. Nabi-Ullah.—There are two machines. One came in 1882 and the other much later, about 1894.

President.—In considering whether protection is justified, we have got to make sure that your machinery and equipment is up-to-date. No amount of protection that Government can give is of much use to a concern with obsolete and worn out machinery, because it will be frozen out in any case in another ten years time. What I mean is that, if your machinery is really out of date, it is not a satisfactory basis for any claim you might put forward. In the statement in answer to question 95 in the first column you have shown the value of the property as written down and the second column is the total amount that has been written off?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—The total of the two would be the equivalent of the block value?

Mr. Nabi-Ullah.—Yes. Prime cost.

President.—The fact that your answer to question 100 is blank suggests that you have not been purchasing much machinery?

Mr. Nabi-Ullah.—No.

President.—You have given us in answer to question 107 a list of your various reserve funds aggregating Rs. 21,23,000. Part of this no doubt is used as working capital, i.e., a part of it is locked up in stocks of paper, spare parts of machinery and so on, and sometimes in unpaid debts of your customers. But what have you done with the balance? What you would require for working capital would not absorb the whole of the amount. Is the balance invested? I raise this point because it may explain what is an obvious anomaly. You have asked for 30 or 40 per cent. protection, but your own statement is that your Company, since 1916, has never paid less than 6 per cent. dividend and 24 per cent. bonus. If that dividend and bonus were earned out of the paper you were making the case for protection would be very poor indeed, because you already earn ample profits. Perhaps you can tell us what the position is.

Mr. Nabi-Ullah.—We have paid out of accumulated funds.

Mr. Ginwala.—Is it paid directly out of this fund or out of the interest on investments?

Mr. Nabi-Ullah.—Out of the interest and sometimes directly from the reserve. We have got a dividend and bonus equalisation fund.

President.—It won't last very long.

Mr. Nabi-Ullah.—When that fund is exhausted we replenish it by transferring to it from our reserves.

President.—How long do you propose to carry on the process? Every time that you take out of the capital—if it is from interest on capital that is

another matter—you are diminishing your chances of doing anything, in the paper business. If there is an improvement in trade conditions, or protection is given, you might be unable to take advantage of a good opportunity to re-equip yourselves. I quite recognize that that Dividend and Bonus equalization fund is an excellent thing. But I do not think it is much use trying to keep up a 30 per cent. dividend, when you are manufacturing at a loss.

Mr. Nabi-Ullah.—Quite so.

President.—The shareholders have been so liberally treated during the last few years that they can well afford to wait for dividends for a little time now.

Mr. Ginwala.—Would it not be to your advantage to go into liquidation and give them Rs. 250 for each share? If you are running your business at a loss will not all this be wiped out in course of time?

Mr. Nabi-Ullah.—That was the first loss.

Mr. Ginwala.—You yourself say that it would cost Rs. 40 lakhs to reconstruct the mills and you have got only 20 lakhs. All this machinery must come to a standstill some day, you have been using these for some 30 or 40 years.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—What is your position now?

Mr. Nabi-Ullah.—I leave it to the Board.

Mr. Ginwala.—Is the Board to treat it as a live industry or as a sort of moribund industry? What is the position? The Board would like to know that.

President.—It is no use attempting to protect an industry if that is the basis on which you work it.

Mr. Kale.—I want to know what led you to pay this bonus in addition to the ordinary dividend. You should have refrained from paying it and laid by this amount.

Mr. Nabi-Ullah.—This is done at the general meeting. The Directors recommend a bonus of, say, 3 per cent. The shareholders say 'No, you are making lots of profit why not give us more.'

Mr. Kale.—Are we to understand that the shareholders want that this industry should now be stopped and they need not trouble about it later on? Otherwise they would not kill the goose to get the golden eggs.

Mr. Nabi-Ullah.—They think it is a *kamadhenu*, that there is an unlimited supply.

Mr. Kale.—They think they should get as much out of it as possible, that is their idea. The shareholders should not now come to Government and ask for protection. They deserve the result Does it not follow? Anyone who reads this will carry this impression.

Mr. Ginwala.—Is the Board to treat this as an industry which intends to exist or an industry which would like to die a comfortable death?

Mr. Nabi-Ullah.—We should like to be treated as a live industry. Means of course we have not. But it is like this: quotations were so high that we thought that we might wait for machinery.

Mr. Ginwala.—For new machinery?

Mr. Nabi-Ullah.—Yes. We have got quotations.

Mr. Ginwala.—When did you get quotations?

Mr. Nabi-Ullah.—Two years ago.

Mr. Ginwala.—Have not the prices come down?

Mr. Nabi-Ullah.—Since two years we find the market getting low.

Mr. Ginwala.—You realize the difficulty of the Board. Supposing there were no other manufacturers in question just now, what can the Board say? They will say the industry is dying, or that it will die in a very short time;

it has got no money, it does not contemplate raising any money and the shareholders might like to get Rs. 250 for each share. It may be to their immediate advantage, therefore they may not recommend anything.

Mr. Nabi-Ullah.—I don't follow. Suppose we can get the machinery at Rs. 20 lakhs for instance and we borrow.

President.—I do not know whether this "Renewal to Machinery Fund" is meant for important replacements. If it is, it gives you a certain amount. That would still leave you a balance which could be used as working capital. In that case, supposing conditions look favourable, you hope to borrow the balance required to purchase new plant?

Mr. Nabi-Ullah.—Borrow or raise the capital. Last time we borrowed. We had only one machine and we thought we would expand.

Mr. Ginwala.—Is this Rs. 40 lakhs for two machines?

Mr. Nabi-Ullah.—One machine and repairs and renewals of the other.

Mr. Ginwala.—You will have two machines going?

Mr. Nabi-Ullah.—We will have two machines going and we will have another machine. It will be used for making boards. The second will have to be renewed at a cost of Rs. 8 lakhs, and then the estimate of 35 lakhs for the new machine.

Mr. Ginwala.—What capacity?

Mr. Nabi-Ullah.—10 tons a day for new machine. Renewal to No. 2 machine will increase its output to the extent of 4 tons a day. It is an extension, not renewal. The 3rd machine in contemplation will produce 16 tons a day and will cost Rs. 35 lakhs.

President.—If you replace your machinery and simultaneously increase your capacity, you have done more than mere replacement. You increase the capacity of your plant and therefore you have got a better asset than you have had before. But I think you ought to make sure of an adequate supply of raw materials before you make a start.

Mr. Nabi-Ullah.—I don't think there will be any difficulty.

President.—But this is a point that undoubtedly requires looking into.

Mr. Nabi-Ullah.—Certainly.

President.—In answer to question 108—"What additional capital (if any) would it be necessary to raise in order to carry out any scheme of replacement or extension of plant which the Company contemplate"—you say "Rs. 2,50,000 provided trade conditions take a hopeful and favourable turn."

Mr. Nabi-Ullah.—It is wrong. It ought to be Rs. 40,00,000.

President.—About question 118 as regards working capital, there is some little misunderstanding. The question was "What is the working capital which the Company requires (i) according to its present output and (ii) according to the output equivalent to its full capacity," and you say "About 20 lakhs is the invested amount in business at the present day with the depreciated value of our machinery, and buildings, etc." I take it in the ordinary sense working capital is distinguished from fixed capital, as represented by buildings, plant, etc. The working capital usually represents stocks of finished goods, outstandings, goods sold but not paid for, spare parts of machinery, etc.

Mr. Nabi-Ullah.—It is all wrong. We have got stores valued at about Rs. 4,62,000.

President.—Take the case of your stocks.

Mr. Nabi-Ullah.—It is about Rs. 7 lakhs.

President.—The point is that the stocks here are unusually high. Assuming that protection were given, you would not have to hold these stocks. You would be able to sell your goods as you produce them. Therefore you would not require so much working capital.

Mr. Nabi-Ullah.—We would require a smaller amount.

President.—If you could find out the average of the stocks held and take it at present-day costs, that would give you an idea.

Mr. Gobardhan Pershad.—It would be better to take the average of the stocks held during the war time because then we were readily selling.

Mr. Kale.—But the prices were higher.

Mr. Gobardhan Pershad.—We will value it at present-day costs.

Mr. Ginwala.—Are you taking the cost price or the market price?

Mr. Nabi-Ullah.—Cost price when it is lower than the market price and market price when it is lower than the cost price. For the last two years the market price is below the cost price. Previous to that we always took the cost price as it was lower than the market price.

President.—As regards your answer to question 140, the question was "The paper industry has been in existence in India for a number of years. How is that the industry is still in need of protection?" and you say "Because the industry has grown self-supporting and owing to foreign competition." The real point is this. After 40 years, you ought to have overcome the initial difficulties. Since you managed to exist for that period, you should be firmly established by now.

Mr. Nabi-Ullah.—This answer is worth nothing.

President.—On thinking it over, if you feel that you can give us an opinion, please let us have it.

Mr. Nabi-Ullah.—Very well.*

Mr. Ginwala.—It is necessary for you to answer that question.

Mr. Nabi-Ullah.—Quite right. The industry had been in existence for a fairly long period. Hitherto we were paying good dividends. We only want now temporary protection.

Mr. Kale.—Is it your opinion that the industry taken generally has established itself.

Mr. Nabi-Ullah.—Yes.

Mr. Kale.—But owing to temporary causes it is working at a loss and, if the Government or the Legislature tides the industry over that period, it won't require any protection.

Mr. Nabi-Ullah.—That is right.

Mr. Kale.—Otherwise, the industry is self-supporting and established on firm footing.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—You are favourably situated because you are so far away from the ports. Therefore in your case it has been possible to give dividends every year since you started except for two half-years. I think that they must have been unusually bad half-years.

Mr. Nabi-Ullah.—Take 1896, for instance. It may be like this. We had then added a new machine. We might have decided that instead of paying dividends that year, we had to pay the profits towards the reduction of our debt and pay better dividends later.

Mr. Ginwala.—Your case is peculiar. You may be able to explain by saying that because of your geographical position you are more prosperous than others.

* Statement II, Enclosure C.

Continued on the 24th June 1924.

Mr. Ginwala.—With regard to the primary raw materials, what is your percentage of yield from each one of these things? How much pulp do you get from one ton of rags?

Mr. Nabi-Ullah.—About 50 per cent.

Mr. Ginwala.—Is not that a smaller percentage than usual for rags?

Mr. Nabi-Ullah.—It all depends on the kind of rags we get.

Mr. Ginwala.—I am asking you, how much pulp you get from a ton of the kind of rags you use?

Mr. Nabi-Ullah.—If we say 45 to 50 per cent., I think that it would be all right?

Mr. Ginwala.—In that case, rags are much more expensive than any other material that you are using?

Mr. Nabi-Ullah.—No, they are not.

Mr. Ginwala.—How much yield do you get from one ton of hemp and jute?

Mr. Nabi-Ullah.—About the same.

Mr. Ginwala.—And from grass?

Mr. Nabi-Ullah.—In the case of grass, it is less. We get about 35 to 40 per cent.

Mr. Ginwala.—Waste paper you simply mix: you don't use waste paper by itself?

Mr. Nabi-Ullah.—We get an yield of 75 per cent. from waste paper. But then the quantity of waste paper we use is very small.

Mr. Ginwala.—It seems to me that your yield is very much smaller than it should be, how is it?

Mr. Nabi-Ullah.—There is a lot of foreign matter, dirt, etc. We have to pick these things out. We lose some of it in washing.

Mr. Ginwala.—Take the case of rags: others also have to do the same thing.

Mr. Nabi-Ullah.—Most of the rags we get are very, very inferior. You will find that the down country mills are not using so much rags.

Mr. Ginwala.—We have not received their statement yet, and so we cannot say. But I cannot understand why your yield is so small in all these materials, except waste paper.

Mr. Nabi-Ullah.—As I submitted yesterday, there is no market for rags where we can go and buy. The people whom our contractors engage for collecting rags (Chamars, etc.) take these to the contractors who send them to us. They don't clean, they don't sort out or do anything; they simply send them on to us anyhow. Then we have got to sort them out, clean them, and dust them. There is a lot of wastage.

Mr. Ginwala.—As regards your grass, is it a little inferior to what it used to be?

Mr. Nabi-Ullah.—It is certainly a little inferior. It is at times a very uncertain item so far as the quality is concerned. The contractors send us sometimes inferior stuff. The ordinary jungle grass is mixed up sometimes with the Sabai grass. The grass is so inferior that it is rather surprising that at times we get even 35 to 40 per cent.

Mr. Ginwala.—It is a tremendously big amount to pay Rs. 72-2-0 a ton.

Mr. Nabi-Ullah.—Yes, it is. It used to be Rs. 27 or Rs. 26.

Mr. Ginwala.—Delivered at the mills?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—You cannot give us any figures as to what the grass costs on the fields.

Mr. Nabi-Ullah.—There is royalty to pay, there is labour to cut the grass, there is the transportation charge to bring it to the factory and so on. We have no idea.

Mr. Ginwala.—Do you find that it is more and more difficult to get rags, hemp and jute?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Is not that a serious disadvantage for you considering that you use two-thirds of these materials?

Mr. Nabi-Ullah.—It is.

Mr. Ginwala.—Is there any prospect of your being able to use more Sabai grass than before? The prospects are the other way about, are they not?

Mr. Nabi-Ullah.—I think so.

Mr. Ginwala.—All the raw materials are in a very precarious condition?

Mr. Nabi-Ullah.—Probably, they are to a certain extent.

President.—It is rather important. It has a direct bearing on the whole case.

Mr. Ginwala.—Your case for protection is very much weakened, if not entirely destroyed, by the fact that your raw materials are gradually disappearing. Is not that so?

Mr. Nabi-Ullah.—I do not feel so.

President.—What has happened since the war is that the cost of your raw materials has gone up and has remained up, whereas the cost of paper went up but has now gone down again. It is rather an important matter.

Mr. Nabi-Ullah.—Yes. But the prices of raw materials have also come down to a certain extent.

Mr. Ginwala.—The price of raw materials has not necessarily gone up because the demand has become greater. It has gone up because the supply has become much smaller. That is what it comes to.

Mr. Nabi-Ullah.—The down country mills are coming up to Nepalganj for their grass. This accounts for the rise of price in Sabai.

President.—Take the country as a whole. Is there any more paper being produced than there was in 1914?

Mr. Nabi-Ullah.—Probably not.

President.—The only new factory is the mill started by Messrs. Andrew Yule & Co., but they are using a different raw material which does not interfere with your supply.

Mr. Nabi-Ullah.—But the Titaghur Mills and Bengal Paper Mills have come up to Nepalganj.

Mr. Ginwala.—That may be. In that case, the total demand has not increased, but somebody else wants the grass and is prepared to pay more than you.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Looking at the raw materials as a whole, it looks as though the supplies are getting smaller and smaller in proportion to the demand.

Mr. Nabi-Ullah.—I think that we can get supplies at a little higher price.

Mr. Ginwala.—It is the same thing?

Mr. Nabi-Ullah.—As I submitted yesterday, we have got now—at least our contractors have got now—to go more uphill than before.

Mr. Ginwala.—That is precisely the point. If you go farther and farther still, you have to pay more and more and your cost will go up, and it will be unremunerative to manufacture paper from this material any longer in this country. That is the danger.

Mr. Nabi-Ullah.—Yes, probably.

Mr. Ginwala.—You have not looked for any solution of the difficulty.

Mr. Nabi-Ullah.—No.

Mr. Ginwala.—You have not looked for any other substitute which is cheaper and more easily accessible.

Mr. Nabi-Ullah.—No.

Mr. Ginwala.—With regard to auxiliary raw materials, all these are imported from Great Britain.

Mr. Nabi-Ullah.—Most of them, barring, for instance, rosin.

Mr. Ginwala.—I mean, whatever is imported is imported from Great Britain.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Is it because the quality of British goods is superior to Continental goods, or is it because they are not obtainable elsewhere?

Mr. Nabi-Ullah.—We can get them from other sources, but as we have been dealing with British firms for a long time, we prefer to order from them.

Mr. Ginwala.—What has been the increase in the prices of these various materials since the war?

Mr. Nabi-Ullah.—We will send you the figures for 1914 and 1924 later.*

Mr. Ginwala.—How is it that you have not attempted to make your own chemicals at all?

Mr. Nabi-Ullah.—We don't think that it would pay.

Mr. Ginwala.—According to your answer to Question 109, it is a fairly large percentage of your costs, is it not?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Don't you think that there would be some economy if you manufactured some of the chemicals yourselves?

Mr. Nabi-Ullah.—We have not tried but evidently we are under the impression that it won't succeed; it won't pay.

Mr. Ginwala.—You use 400 tons of alum a year. It is a very large quantity. What do you use that for?

Mr. Nabi-Ullah.—For sizing the paper?

Mr. Ginwala.—What do you use china clay for?

Mr. Nabi-Ullah.—We use china clay for loading.

Mr. Ginwala.—What do you use rosin for?

Mr. Nabi-Ullah.—Rosin and alum are both used for sizing.

President.—For what quantity of paper are these quantities that you have given in answer to Question 36 required?

Mr. Nabi-Ullah.—For 3,000 tons of paper.

Mr. Ginwala.—With 225 tons of china clay, 400 tons of alum and 75 tons of rosin, it just comes to 700 tons, which is nearly 25 per cent. of your production and which is not paper at all.

* *Vide* Statement II, Enclosure D.

Mr. Nabi-Ullah.—That is right.

Mr. Ginwala.—Is it not rather a large percentage?

Mr. Nabi-Ullah.—We are actually using what we have put down.

Mr. Ginwala.—Is not that a very large percentage for sizing and loading? Is it not one of the reasons why you may not be able to get good prices for your paper?

Mr. Nabi-Ullah.—But the quality in the bazar is all right.

Mr. Ginwala.—Bazar quality may be anything, but you are dependent, are you not, considerably on public bodies and Government?

Mr. Nabi-Ullah.—Government never object to it.

Mr. Ginwala.—Are you sure?

Mr. Nabi-Ullah.—Quite sure.

Mr. Ginwala.—I wanted to know whether this 25 per cent. is not a large percentage.

Mr. Nabi-Ullah.—Evidently not. They did not object to our sizing. They never objected to our loading. They did not say that we were putting too much foreign matter. They did not say anything at all.

Mr. Ginwala.—You do not manufacture much coloured paper?

Mr. Nabi-Ullah.—Not much.

Mr. Ginwala.—How much dyes do you use in a year?

Mr. Nabi-Ullah.—Worth Rs. 8,000 to Rs. 9,000 a year.

Mr. Ginwala.—That is a very small quantity?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—With regard to your mill labour, have you had any labour troubles?

Mr. Nabi-Ullah.—On a small scale several times, but not of a serious nature.

Mr. Ginwala.—Is there any labour association in Lucknow?

Mr. Nabi-Ullah.—No. In the railway perhaps there is, but not outside.

Mr. Ginwala.—The answer to Question 76 (ii) does not give us at all any idea of what you have really got. These are merely rates which are given. By realised prices we did not mean merely the rates. What is really required is this. Suppose you manufacture 100,000 lbs. of paper. What did you get for the 100,000 lbs. of paper and how much you got per lb. on the average? You may have manufactured 1,000 lbs. of very good paper for which you got a good price and 1,000 lbs. of very inferior paper for which you got a low price. We want the average price.

Mr. Nabi-Ullah.—You want the average price? For which years do you want?

Mr. Ginwala.—For the years referred to in Question 76 (i).

President.—I think possibly we were at fault in drafting the question and it might mislead people when answering. We wanted to know the general level of your prices, not for every minute sub-division of the different kinds of paper, but if you could possibly give the figures for Badami paper and for white printing paper, it pretty nearly covers it.

Mr. Ginwala.—Take the production of those years and if you can tell us what you realised for the whole year, we can get the average.

Mr. Nabi-Ullah.—We have got the average calculated for each half-year: there are two costs—one is for paper manufactured during the half-year: another is the average cost taking stock in hand along with the paper manufactured for the half-year. Which of the two costs do you want?

Mr. Ginwala.—We do not want the average cost including the stocks: we want the average of the paper actually manufactured.

<i>Mr. Nabi-Ullah.</i> —				
Year.	Outturn.	Cost.		Realised price.
	lbs.	Rs.	A. P.	Rs. A. P.
1912—				
1st half	34,98,600	0	2 1-67	0 2 3-15
2nd half	32,30,585	0	2 2-47	0 2 2-92
1913—				
1st half	29,77,212	0	2 1-32	0 2 3-87
2nd half	30,23,260	0	2 1-35	0 2 3-4
1914—				
1st half	31,39,466	0	2 1-75	0 2 4-48
2nd half	30,56,169	0	2 1-38	0 2 5-24
1917—				
1st half	32,28,761	0	2 8-35	0 4 5-24
2nd half	38,56,050	0	2 10-25	0 4 10-43
1918—				
1st half	29,45,094	0	3 5-07	0 5 8-49
2nd half	35,33,594	0	3 5-26	0 6 4-66
1921—				
1st half	25,15,929	0	5 3-62	0 6 1-63
2nd half	32,97,080	0	4 9-12	0 6 2-57
1922—				
1st half	22,64,306	0	4 11-23	0 5 6-93
2nd half	28,29,789	0	4 1-29	0 4 11-24
1923—				
1st half	16,66,445	0	5 1-58	0 4 4-99
2nd half	21,29,509	0	4 7-88	0 4 8-12

Mr. Ginwala.—The answers to Questions Nos. 77, 78 and 79, I am sure, are not exactly what we wanted. However, they do give some information which may be useful to us. Since last year has there been a change in the policy of Government with regard to purchase of paper?

Mr. Nabi-Ullah.—Yes. .

Mr. Ginwala.—How do you describe the change? In what direction has the change taken place?

Mr. Nabi-Ullah.—Tenders are now called for from England too.

Mr. Ginwala.—That is with regard to procedure. How has it affected the manufacturer? Was any change introduced by Government in its policy?

Mr. Nabi-Ullah.—Tenders were called for from England.

Mr. Ginwala.—Did not they call for tenders before?

Mr. Nabi-Ullah.—Formerly, only quotations for papers were asked for, without calling for definite tenders in England, and on the basis of these prices the Indian manufacturers were asked to reduce their prices, if possible. Now tenders are simultaneously called for in England and in India and Home quotations are compared side by side with the Indian quotations after making usual adjustments to cover the transit, custom and landing charges and allowing an extra 5 per cent. preference to the Indian mills partly to cover their services for distributing the supplies direct to sub-offices at different stations

in India and partly in lieu of the advantage of being able to reject any kind of bad supplies made by the mills. It has also been decided that the tender as submitted was final and no chance for revision was given to the Indian mills as was done before.

Mr. Ginwala.—Does it make any difference to the manufacturers in India?

Mr. Nabi-Ullah.—Yes, we consider 5 per cent. preference is not enough and we are at a disadvantage.

Mr. Ginwala.—With regard to your equipment I would like to ask one or two questions. Have you got your estimate here of the new machines?

Mr. Nabi-Ullah.—No. We have not got that with us.

Mr. Ginwala.—Could you send that to us because it is rather important from this point of view: in considering any recommendations that we may make we have to consider as far as possible what it would cost a new firm entering the trade to put up a plant.

President.—One point that always arises in connection with protection is that it encourages new people to come into the trade. Therefore any evidence that we may get as to the cost of machinery will be useful.

Mr. Nabi-Ullah.—We shall wire to-day and get it soon.*

Mr. Ginwala.—Is that the latest estimate that you have got?

Mr. Nabi-Ullah.—Two years old.

Mr. Ginwala.—Since then you have not made any enquiries?

Mr. Nabi-Ullah.—No. Prices have not changed very much: since then, an up-to-date paper-making plant has been put up in Bengal.

Mr. Ginwala.—But I hope you are getting a new one this time?

Mr. Nabi-Ullah.—Yes, a new mill.

Mr. Ginwala.—Is it English or American?

Mr. Nabi-Ullah.—English. The manufacturers are the same. It was very satisfactory on the last occasion.

Mr. Ginwala.—Does it include a chemical plant?

Mr. Nabi-Ullah.—No.

Mr. Ginwala.—What does it include?

Mr. Nabi-Ullah.—It includes a pulp-making plant and the paper-making plant: also a power plant.

Mr. Ginwala.—Is it steam or electricity?

Mr. Nabi-Ullah.—It is a combination of steam and electricity.

Mr. Ginwala.—Perhaps in your estimates you have got a brief account which gives the classification of the machinery.

Mr. Nabi-Ullah.—We have got a detailed account.

President.—After all we cannot grapple with elaborate technical details. It is more or less on general lines that we would like to have it, just to give us an idea.

Mr. Ginwala.—It would produce 10 tons a day of finished paper without the chemical plant?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Would it reduce your cost of production? Have the makers told you how much the cost of production would be reduced compared to your present cost?

Mr. Nabi-Ullah.—Say, by about 10 per cent. This is our surmise.

Mr. Ginwala.—Not more than that? But it is going to cost you nearly four times as much, is it not?

Mr. Nabi-Ullah.—It may be that the prices have come down a little since then.

Mr. Ginwala.—You say that it is five times the value of the plant and buildings, as compared with what you have erected yourselves.

* *Vide* Statement II, Enclosure E.

Mr. Nabi-Ullah.—It is not 5 times. We want to correct that statement. It is only 2½ times. We have to calculate it only against the block value which is about Rs. 19 lakhs.

Mr. Ginwala.—You see what you have done in calculating your depreciation. You have taken merely the depreciation on the book value from time to time of your plant, not on the replacement value of the plant.

Mr. Nabi-Ullah.—I do not quite follow.

Mr. Ginwala.—Take your machinery, for instance. It is worth, say, about Rs. 13 lakhs.

Mr. Nabi-Ullah.—It was worth that.

Mr. Ginwala.—You have taken your depreciation on the Rs. 13 lakhs. Now according to the figures you have given your machinery costs you 2½ times more. Therefore you have not taken enough to renew your machinery.

Mr. Nabi-Ullah.—Did we have any idea that it would cost us so much?

President.—It is not that Mr. Ginwala is criticising or suggesting that you are acting improperly. He is only bringing to your notice the fact that, when there is a great general rise in the level of prices, it may be necessary to revise all your depreciation rates. The basis of your depreciation allowance should be what it would cost you to replace your machinery when it is worn out; otherwise when your machinery is worn out there is no money there to replace it.

Mr. Ginwala.—You have paid 6 per cent. dividend and this bonus. The result is that your depreciation and reserve funds are about half of what they ought to have been now. For that reason when you want to renew your machinery you are in difficulties.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—How do you propose to remedy that? Your horse is nearly dead or it will die very soon. If you want to buy a new horse it is going to cost you nearly 40 lakhs. You are worth Rs. 20 lakhs.

Mr. Nabi-Ullah.—If it does cost Rs. 40 lakhs and if the prices do not go down it would be difficult; on the other hand, if prices do go down then one of the two alternatives is left to us, i.e., either borrow the remaining amount or have additional capital.

President.—If you have to borrow additional capital then you have to realize from the sale of your paper a larger revenue.

Mr. Nabi-Ullah.—Of course.

President.—The question is “Is it possible to do that?”

Mr. Nabi-Ullah.—It is probably not, but we started one machine and once upon a time the question arose whether we should not develop and have another machine. We decided to have another machine and again the question arose whether we should borrow money or extend the capital. We borrowed about Rs. 7 lakhs on a capital of only Rs. 8 lakhs and we have paid all.

President.—That has all been paid?

Mr. Nabi-Ullah.—Years ago.

Mr. Ginwala.—Now the position is this: You have been paying your shareholders since 1914, 6 per cent. *plus* a bonus. Now your shareholders have got used to that dividend and bonus. Your machinery is wearing out. Therefore you have got to renew it. That will take away all your reserves and everything—Rs. 21 lakhs. Therefore all the bonus must cease so far as that bonus is concerned and you may or may not earn any dividends at all. In addition to that you have got either to borrow Rs. 20 lakhs or have Rs. 20 lakhs worth more share capital. That would wipe off your working capital also: so that you will have to borrow Rs. 10 or Rs. 15 lakhs working capital. So your commitments now are Rs. 40 lakhs *plus* Rs. 10 lakhs against which you have got Rs. 20 lakhs. Are you prepared to raise this Rs. 30 lakhs? Will your shareholders agree to get no dividend at all, forego the bonus and at the same time borrow Rs. 30 lakhs?

Mr. Nabi-Ullah.—We can only give our opinion. Personally speaking I think the shareholders will never agree to this, because they are afraid that prices are going down and we are losing and there are no prospects of making money.

Mr. Ginwala.—You fully realise the implication of your answer?

Mr. Nabi-Ullah.—I do.

Mr. Ginwala.—This statement showing the distribution of dividend does not give any idea of the profits you made.

Mr. Nabi-Ullah.—No, it does not. Profit and loss account will give that.

President.—Have you got spare copies of your Annual Reports. Is there a set that you can leave with us to be returned eventually?

Mr. Nabi-Ullah.—We can send you spare copies from Lucknow.

Mr. Ginwala.—Will these accounts show whether you paid this bonus out of interest on investments?

Mr. Nabi-Ullah.—They will show that.

Mr. Ginwala.—What is wanted is what is the profit each year, how much you pay as dividend, how much you carry forward to reserves.

Mr. Nabi-Ullah.—We shall give you a statement from 1912 onwards.*

Mr. Ginwala.—May I take it that some of the bonuses that you have shown in the accounts are from the profits as well as from the reserve fund?

Mr. Nabi-Ullah.—Only during the last two half-years these were partly taken from the reserve.

Mr. Ginwala.—And the previous years?

Mr. Nabi-Ullah.—From the profits.

Mr. Ginwala.—How do you calculate your profits? In calculating your profits you first write off your actual cost?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Do you deduct all your depreciation?

Mr. Nabi-Ullah.—No, it is not deducted. It is like this: we have earned, say, so much—

Mr. Ginwala.—What do you call earnings: that is what we want to know.

Mr. Nabi-Ullah.—Gross earnings. We allow so much for depreciation and then we say so much is at your disposal and we propose that we pay you so much for dividend and so much for bonus.

Mr. Ginwala.—Why do you separate the dividend and the bonus? What is the idea?

Mr. Nabi-Ullah.—Because we wanted to keep the dividend at one figure, viz., 6 per cent.

President.—So that the shareholders hoped to get 6 per cent. sure and something else as a windfall!

Mr. Ginwala.—You have certainly carried a good deal towards your reserve fund, but on the other hand you have allowed for your depreciation very little.

Mr. Nabi-Ullah.—I am afraid the proposition is not clear. When we paid Rs. 8 lakhs we thought we would allow 5 per cent. for depreciation: that would be all right. Instead of that we paid 7 per cent. We did not know then what the new machinery would cost us. We thought probably it would be the same or something very near it.

Mr. Ginwala.—When you got that estimate did you increase your depreciation?

Mr. Nabi-Ullah.—That was only two years ago. We had no money then to increase the depreciation.

Mr. Ginwala.—In your system of accounts do you write off depreciation on the depreciated value each year?

* Vide Statement II, Enclosure F.

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Has it been going on since 1885?

Mr. Nabi-Ullah.—Yes. But since 1921 the income-tax people allowed depreciation to be calculated on the prime cost, and since then we have been calculating on the prime cost. They have got a depreciation account in their own office and according to that they allow a certain percentage, but that amount we have not got to provide from our profits.

Mr. Ginwala.—Have you changed your system now?

Mr. Nabi-Ullah.—There has been no change in our system.

President.—We understand that the income-tax people have changed their system and they allow you to set off depreciation up to a certain amount, but do they allow you to set it off if you don't actually put it aside?

Mr. Nabi-Ullah.—No.

President.—I gather that you yourselves do not at the end of each year increase the depreciation allowance to the percentage of the prime cost. You have not altered your practice in that respect. The point is this: if you follow your old practice now will you calculate the percentage for depreciation when next you close your accounts?

Mr. Nabi-Ullah.—We only charge according to the profits we make. We do not look very much to the percentage; supposing we have made Rs. 50,000 profit, and the Directors say 10,000 may be adjusted against the depreciation to buildings and machinery, it is accordingly done.

Mr. Ginwala.—Look to your Form No. 1. Can you give us quantities used by you in each year?

Mr. Nabi-Ullah.—We have not got it here.

Mr. Ginwala.—Take auxiliary raw materials, for instance. You lump them together. It does not give us any idea how much caustic soda, for instance, or rosin and things like that you have used. Can you give us the quantities and rates under the headings in this Form No. 1?

Mr. Nabi-Ullah.—Rates would be the average rates for the year what we take for purposes of the balance sheet, and we shall be able to furnish these.*

Mr. Ginwala.—I want to know what service you rendered during the war to Government?

Mr. Nabi-Ullah.—We supplied cheap paper to Government: we made munitions also.

President.—Did you get controlled price?

Mr. Nabi-Ullah.—We have already given you these answers.

President.—What we want you to do is to state in a general way in what way you gave special assistance to Government during the war.

Mr. Nabi-Ullah.—We made some parts of munitions for them.

President.—What kind of munitions?

Mr. Nabi-Ullah.—We had to stop our own work for making shells.

President.—I think it would be easier if you could send us a statement of what you did during the war.

Mr. Ginwala.—We want to give the money value of your sacrifice. You should be able to say that it saved so much money to Government. We don't want any sentiment to come in.

Mr. Nabi-Ullah.—We will give you the material portion of it.†

Mr. Kale.—In your statement submitted to the Fiscal Commission you have stated that India enjoys the advantage of having abundant raw materials. I want to ask you whether you would now modify the view that you had expressed with reference to the abundance of raw materials.

Mr. Nabi-Ullah.—We don't wish to modify it ourselves but as a result of the cross-examination that statement will be modified a bit.

Mr. Kale.—That is why I am putting it to you. You see the supplies are getting more and more restricted as a result of competition.

* *Vide* Statement II, Enclosure G.

† *Vide* Statement II, Enclosure H.

Mr. Nabi-Ullah.—Yes, the supply of Sabai grass.

Mr. Kale.—But Sabai grass is an important factor among your raw materials, and in that way this statement appears to require modification.

Mr. Nabi-Ullah.—The position is that we do not want to modify the statement ourselves, but no doubt the answers we have given to questions do modify this statement a bit.

Mr. Kale.—You have laid some stress on what Mr. Raitt has said about bamboo pulp. Certainly if bamboo pulp can be produced in abundance in India itself, the supply of your raw materials will be increased. But we do not know what is going to happen with regard to bamboo pulp. You know that the manufacturers of bamboo pulp are claiming protection and you are also in favour of that, and agree that there should be an import duty on pulp. You want imported pulp as well as paper to be subjected to a duty to help the manufacturers in India. It means that the price of your pulp will go up if an import duty is imposed upon foreign pulp.

Mr. Nabi-Ullah.—For the time being.

Mr. Kale.—So that even if pulp is produced in India on a large scale, for some years, in any case, your cost of production will go up. Have you considered that?

President.—You yourselves do not use imported pulp but some of your competitors do. If the import of foreign pulp is restricted they may go back to grass and the price of grass, etc., may increase.

Mr. Nabi-Ullah.—We have not considered that.

Mr. Kale.—That seems to be the probability of the case if the pulp industry is going to be protected. Your raw materials will increase in price and that will prove a sort of a handicap instead of improving your position as you expect. That is a matter which requires some consideration?

Mr. Nabi-Ullah.—Yes.

Mr. Kale.—You have also said that there is abundant cheap labour. Do you still think, when you are paying 200 per cent. more than what you used to pay, that labour is cheap?

Mr. Nabi-Ullah.—Cheaper than in Calcutta or Cawnpore.

Mr. Kale.—From the figures you have given there is hardly any increase in Calcutta while your figure is 200 per cent. You have given a statement showing the wages in a paper mill in Bengal in January of each year from 1914 to 1919 with index numbers, taking the rates for January 1914 (the pre-war period) as equal to 100. In the case of coolies, for instance, the index number for 1914 is 100 and for 1919 it is 100. In the case of machine-men, the index number for 1914 is 100 and for 1919 it is 90. Instead of going up, the wages in Calcutta have gone down. How is it then that wages have gone up in Lucknow?

Mr. Gobardhan Pershad.—We have also reduced our wages since 1923.

Mr. Kale.—How is it that, on the whole, there has been an increase of nearly 148 per cent.?

President.—Where did you get your information from about wages in Calcutta?

Mr. Gobardhan Pershad.—From a mill in Bengal.

President.—Taking all classes of labour, there is a slight decrease in the wages in Calcutta between 1914 and 1919. That is very improbable, but you may be right.

Mr. Kale.—I don't understand how you can claim that your labour is cheaper than what it is in other places? So far as I know wages have not gone up 220 per cent. in any part of India.

Mr. Nabi-Ullah.—It may be we were paying coolies very low wages. They began to feel probably that they ought to get better wages.

Mr. Kale.—Were your wages abnormally low?

Mr. Nabi-Ullah.—May be abnormally low when compared to Calcutta or Bombay.

Mr. Kale.—Have wages in Lucknow now come up to the level of the wages in other parts of India?

Mr. Nabi-Ullah.—Yes.

Mr. Kale.—Let us look at the index numbers of the wholesale prices I have got here. Prices will probably be lower in Lucknow than they are in Calcutta. Taking them at the same level, however, I find that the general index number for all commodities has gone up from 100 to 176; so far as foodgrains, cereals and pulses are concerned, the index numbers are 114 and 112, so that prices have not gone up to the extent to which your wages have gone up?

Mr. Nabi-Ullah.—No.

Mr. Kale.—I cannot understand then how, in Lucknow, you have been compelled to pay that increase. Is it on account of competition that you have been compelled to pay such a high rate of wages?

Mr. Nabi-Ullah.—It is not so much a question of competition. We have got to deal with coolies. They come and ask for higher wages. If we don't agree to pay them, they go away.

Mr. Kale.—Take coolies, for instance. Do you pay them Rs. 25 a month?

Mr. Nabi-Ullah.—We pay Rs. 18-8-0.

Mr. Kale.—These wages have gone down since 1921?

Mr. Nabi-Ullah.—We have reduced them. We have been giving them increases on different grounds and under different heads, so much as war allowance, so much as famine allowance and so on. We sat together one day and said "we will reduce so much of war allowance." There was a little trouble at first but then in the end it was all right.

Mr. Kale.—The President asked you yesterday whether there had been any improvement in efficiency on account of the increase in wages. From what you say now I understand that wages were very low in your mill?

Mr. Nabi-Ullah.—Wages were low.

Mr. Kale.—So that this increase will not lead to efficiency until wages have been brought up to the level of the wages obtained elsewhere.

Mr. Nabi-Ullah.—How does the question of efficiency arise here?

Mr. Kale.—If a man gets higher wages, his productive power will naturally increase, because he will get better food, be in better health and will get better shelter.

Mr. Nabi-Ullah.—I am afraid that these things did not occur to us. With regard to Mistris, you might say that if we pay Rs. 80 instead of Rs. 30, they will do better work, but as regards coolies, we are not sure that if we pay them more they will do better work.

Mr. Kale.—Am I to take it that there has not been an improvement in efficiency on account of the increase in wages, especially among the unskilled workers?

Mr. Nabi-Ullah.—No. We do not give any increase because there has been a rise in efficiency.

Mr. Kale.—Take it the other way. Do they not produce more because you pay them higher wages?

Mr. Nabi-Ullah.—If I might hazard an answer, I should say that they are just the same.

Mr. Kale.—How can you then sustain the claim that labour is very cheap. You say in this note that abundant supplies of cheap labour are available in Lucknow.

Mr. Nabi-Ullah.—This is what we mean. There are coolies available but at prices which do not occur to us at the time as higher or anywhere near the wages that they can command in Calcutta or Bombay.

Mr. Kale.—I may suggest to you—I don't know how far it is true—that there is a lot of emigration of these coolies from the United Provinces and Bihar to Assam and Bengal. Is it on account of this competition that you have to face in Bengal and other provinces that you have to pay more wages?

Mr. Nabi-Ullah.—I should think not.

Mr. Kale.—Do you mean that the emigration of labour has nothing to do with it?

Mr. Nabi-Ullah.—This point never occurred to us. We always thought that enough people were available.

Mr. Kale.—Most of the industries in Bengal are manned from people from the United Provinces and Bihar.

Mr. Nabi-Ullah.—My impression is that there is no emigration of coolies, at any rate practically none, from the area where we draw our coolies from.

Mr. Kale.—You have not got that trouble?

Mr. Nabi-Ullah.—No.

Mr. Kale.—Have you considered the question that, if associated industries are to be developed in India, they would also claim protection for themselves for development? That means their prices will go up, if a protected duty is imposed on them? You say that unless associated industries are developed in India, you cannot get these things in this country, so that again what I pointed out in the case of pulp is likely to happen in the case of these industries?

Mr. Nabi-Ullah.—Somehow, it has occurred to us that if anything is produced in India, it will be cheaper.

President.—If that is so, why you are asking for protection?

Mr. Kale.—Simply because a thing is produced in India, it cannot be cheaper; on the contrary that is the reason why it ought to be dearer?

Mr. Nabi-Ullah.—Evidently that was our idea.

Mr. Kale.—Then you point out the national importance of the industry and so on. Don't you think that consumers in India will very strongly object to the raising of prices of paper as a result of protection? You yourself say that the development of India depends very largely upon the development of this industry. For instance, the spread of education requires a lot of paper; newspapers as well as schools and colleges require paper. Naturally, the consumers and the public in general will take very strong objection to the price of paper going up as a result of any measure of protection. You say that the industry is of national importance, but I look at it from another point of view, and say that paper must be as cheap as possible in order to facilitate the progress of the country. The result of protection may be quite the opposite? What have you got to say to that?

Mr. Nabi-Ullah.—Nothing.

Mr. Kale.—The progress of the country will be retarded if the price of paper goes up?

Mr. Nabi-Ullah.—Yes. This point of view did not occur to us.

Mr. Kale.—Naturally this is the objection that will be raised. They will say "Very well, this is an industry of national importance, but in order to promote national progress, you want books, paper, etc. If you are going to raise the price of paper, national progress will be retarded."

Mr. Nabi-Ullah.—I have nothing to say against this.

Mr. Kale.—That is the real difficulty?

Mr. Gobardhan Pershad.—Could not the industry be helped in other ways, viz., freight, concessions, etc.?

Mr. Kale.—Government will have to spend more in other directions, which means that additional revenue will have to be raised by taxation. We come back to the same thing only in a roundabout way. The tax-payer will say "This industry is of national importance, but what about our education? You are going to make it dearer." On the contrary in each province there

is a demand for compulsory primary education and expansion of all classes and grades of education, which means demand for more paper and there is less money available, as we all know, in the provinces for educational development. That is the real difficulty. Do you also feel that?

Mr. Nabi-Ullah.—Yes.

Mr. Kale.—You have pointed out that it is just possible that the industry will be improved if profits are earned on a larger scale for some years, but I find that in your case there has been little progress in the organisation and equipment. You don't seem to have taken advantage of prosperous times to improve your machinery, organisation of the industry and so forth.

Mr. Nabi-Ullah.—It is like this. We have saved money. We have been thinking that we will buy a new machine. When we called for estimates we found that the price was so high that we could not order for it. It may be that it is a pious wish never to be fulfilled. During the war, for instance, we had all this money, or at any rate greater part of this money. Suppose we could get a new machine at a reasonable figure, reasonable to us, we should have invested the money at once. There is no doubt about that. So long as the war was going on, there was no chance of getting any machinery. Later on when we called for estimates, we found that it was Rs. 35 lakhs. I don't see how we could take advantage of the prosperous time. We have been waiting to grasp an opportunity. We thought that we were grasping it but we found that we were stuck up again.

Mr. Kale.—Will this be your answer to another question that may be put to you? You are asking for protection; for the last 10 years you had, for all practical purposes, protection on account of the prevailing high prices, and you did make large profits. After all, the object of protection is to allow the industry to make a reasonable profit. Ten years is a sufficiently long period. Yet, what is the result? You are where you were.

Mr. Nabi-Ullah.—We are where we were.

Mr. Kale.—Supposing protection were granted to you now for a period of 5 or 10 years, what guarantee is there that, at the end of that period, you will be better off? Past experience does not strengthen the hope that protection will benefit your industry. What answer have you to make to this?

Mr. Nabi-Ullah.—I have no answer to make.

President.—Supposing protection were given now for 5 or 10 years, it would be quite possible to purchase new machinery, whereas it was not possible to do so during the war, except from America, and the price would have been exorbitant.

Mr. Kale.—If you buy new machinery when protection is promised or granted actually, as we have already pointed out, the efficiency of the machinery may increase?

Mr. Nabi-Ullah.—Yes.

Mr. Kale.—And consequently the productive capacity of the industry?

Mr. Nabi-Ullah.—Yes.

Mr. Kale.—The cost of production may also go down? That is one possibility?

Mr. Gobardhan Pershad.—Yes, and one thing more. If protection were granted, it would be easier to obtain capital than it is now.

Mr. Kale.—Do you mean to say that the rate of interest will be lower?

Mr. Gobardhan Pershad.—I mean if new shares were issued, they would be subscribed for easily and quickly.

Mr. Kale.—And thus you will be able to get your capital much more easily?

Mr. Gobardhan Pershad.—Yes.

Mr. Kale.—Will the rate of interest be favourably affected by the prospect of protection? Do you think that you would be able to borrow at a moderate rate of interest?

Mr. Nabi-Ullah.—Our usual interest is $7\frac{1}{2}$ per cent. We have been dealing with the Allahabad Bank for years and years and I don't think protection or no protection will make any difference.

Mr. Kale.—There is another point. Will not the prices of some of the auxiliary raw materials you are using, go down? During the last year they were very high.

Mr. Nabi-Ullah.—We hope that they would go down.

Mr. Kale.—In the near future, they might go down further and your cost of production, *pro rata*, may be brought down?

Mr. Gobardhan Pershad.—They are already going down.

Mr. Kale.—Again, you have been able to reduce your wages to a certain extent. They are lower than what they were in 1921?

Mr. Nabi-Ullah.—Yes.

Mr. Kale.—Wages may be reduced? Is there that prospect?

Mr. Nabi-Ullah.—There is a good deal of prospect. I don't know whether it was due to a bit of nervousness on our part that we did not cut down the wages a bit more. Foodstuff is much cheaper than it used to be. We might still have an increase on the wages of 1914 but not very much.

Mr. Kale.—Do you think that it is possible to reduce wages?

Mr. Nabi-Ullah.—I think that it is possible.

Mr. Kale.—These are the only factors which occur to you which will go to benefit the industry and reduce the cost, *viz.*, that your machinery may be more productive than it is now, if you buy new machinery, and that it will reduce the cost of production; that you may be able to borrow much more easily than you are now able to do, that prices of some of the raw materials may go down and that wages also may go down?

Mr. Nabi-Ullah.—Also the price of machinery may go down.

Mr. Kale.—That is also another factor?

Mr. Nabi-Ullah.—Yes.

President.—Your reply to Question 132 (C) is not a positive answer. It is purely hypothetical. After all Government have done a good deal for the paper industry already in the way of research. It is going on now. But a certain amount of obligation rests on the industry itself in this matter. Government cannot, so to speak, bear the whole burden. As to the question whether the paper industry will ever be able to face world competition without protection, on the evidence given by your firm, there does not seem to me to be a strong case. You told the Fiscal Commission that before the war the paper industry was in a precarious condition after about 30 years of existence. After the war, your condition is even worse than precarious, and the best you can say is that at the end of 25 years, granted certain conditions, it is possible that you may be able to stand alone. Unless the question of raw materials is cleared up by the use of bamboo or something of that kind, I should say that on the evidence you have given, so long as the industry is dependent on grass and things of that kind, the odds are heavily against it. However, I don't want to spend too long over that.

Again your reply to Question 135 does not help us very much. We are not really interested in the making of hand-made paper. We are concerned with the machine-made paper. There is nothing in these passages which bears on the question whether the future of the industry is suitable to Indian economic conditions.

In reply to Question 136 you claim that protective duties should be imposed on all qualities of paper which the Indian mills produce as mentioned in your reply to Question 8. If you frame the Tariff Schedule on the basis of your answer to Question 8, there may be different kinds of paper which compete with your manufactures.

Mr. Nabi-Ullah.—Produced by other Indian mills?

President.—Quite possible. In making proposals we do not want to put protective duties on foreign paper which does not really compete with paper produced in the country.

Mr. Nabi-Ullah.—For that reason we have mentioned certain difference only on those qualities of paper which we are making.

President.—Do you think that that would cover it?

Mr. Nabi-Ullah.—At least for our purposes that would.

President.—You could hardly put Government water-marked paper in the Tariff Schedule.

Mr. Nabi-Ullah.—That is not imported: that is always bought in India. There are difficulties in its being imported.

President.—If Government can get it cheaper outside in the absence of a protective duty they will always purchase from outside. Is "water-marked paper" a well-understood trade description?

Mr. Nabi-Ullah.—Yes.

President.—Then it would apply to all paper that is water-marked. Could not that include a good deal of paper that does not compete with you?

Mr. Nabi-Ullah.—Water-marked paper is a paper on which court petitions and things like that are to be written and all of which are known water-mark of the Government of India. They are technically called "water-marked."

President.—The point is this: You cannot put a duty on a thing because it has the water-mark of the Government of India. That is not the criterion. My point is this: supposing you put protective duties on all water-marked paper, would not that have the effect of putting a protective duty on certain kinds of paper—very superior water-marked paper—which is not produced in this country. Are there different qualities of water-marked paper?

Mr. Nabi-Ullah.—A large number of them.

President.—Would the more expensive kinds compete with yours?

Mr. Nabi-Ullah.—We do not make these.

President.—How is the Board to frame a schedule so as not to raise the cost of superior qualities unnecessarily?

Mr. Nabi-Ullah.—You want the specific qualities to be known.

President.—How can we give such a description that the Customs people will be able to understand and distinguish one from the other? It is a difficult question we have got to consider.

Mr. Nabi-Ullah.—Probably we will have to give the sizes, weights, etc., of these papers which we want to be protected.

President.—That might be possible. There is another way of doing it. Do you happen to know roughly what is the difference between the highest priced paper and the lowest priced paper of that kind, what it would vary from?

Mr. Nabi-Ullah.—We cannot tell. The Controller of Stationery might be able to let you know.

President.—We sometimes do that by putting a specific duty on all paper: it is less *ad valorem* as you get to higher prices. However, we need not trouble about it now.

You have given us a statement showing the freight on finished paper. We have also asked you to give the rates on primary raw materials.

Mr. Nabi-Ullah.—Yes.*

Mr. Ginnwala.—In your conclusion, paragraph 2, you say, "It is feared, as a result of protection, that new mills, with large foreign capital, might be started in the near future to compete with *bona fide* Indian mills. In order to safeguard the interests of the Indian mill we respectfully beg to suggest that there should be at least two-thirds of the Indian capital and two-thirds of the Indian Directorate in the case of foreign mills."

* *Vide* Statement II, Enclosure C.

Mr. Nabi-Ullah.—By “foreign mills” we meant new mills that may be started.

Mr. Ginwala.—Have you considered this point fully or is it that you have taken this all from the discussions that you have read? I mean, are you serious about this?

Mr. Nabi-Ullah.—Yes.

Mr. Ginwala.—Have you really considered it from the point of view of India or have you considered it merely from your own? It is a very serious proposal that you are making and we want to know whether you have fully considered it.

Mr. Nabi-Ullah.—We have not thought much over that.

President.—There are two aspects. One is what Mr. Ginwala has just been putting to you: Is it in the interests of India as a whole that its industrial development should be retarded by shortage of capital? That is one point that arises. You are, of course, entitled to hold the opinion, if you do hold it, that India has got enough capital.

Mr. Nabi-Ullah.—I do not think we have considered that point at all. As you said some of us have been reading something and we put it down here.

President.—Then there is the practical difficulty. If you want to protect by means of tariff duties, how are you going to provide for this, unless you put a special excise duty on the new foreign mills? The protective rains will descend on the just and on the unjust alike.

Mr. Kale.—Or do you want to modify the law of registering companies?

Mr. Ginwala.—I was not referring to the procedure by which effect could be given to this.

With regard to these raw materials, could you adapt your machinery to other raw materials besides Sabai grass?

Mr. Nabi-Ullah.—What should be the other raw materials?

Mr. Ginwala.—Other kinds of grasses, bamboo, etc.

Mr. Nabi-Ullah.—Bamboo, if it is pulped, we can, but if it is in the raw form and to be pulped at our place, we cannot do it. In that case we have to change our boilers, breakers and bleachers.

President.—Are you sure?

Mr. Nabi-Ullah.—We can use bamboo for making pulp by making slight alterations: we have simply to change our boilers.

President.—Have you made any experiments?

Mr. Nabi-Ullah.—Yes, but some parts of our machinery will not be quite efficient. The boiler will have to be changed.

President.—Have you taken any expert advice on the subject?

Mr. Nabi-Ullah.—Mr. Raitt of Dehra Dun came to our place two or three times and gave us some hints about it.

President.—Did he advise you that some part of the machinery could be used for making paper out of bamboo pulp?

Mr. Nabi-Ullah.—Yes. But the pulp-making machinery will have to be altered, i.e., about a third of the machinery.

Mr. Ginwala.—Can the alterations be carried out without any difficulty?

Mr. Nabi-Ullah.—Yes. We will have to get new boilers and a little bit of steam plant, digesters and cutting machines.

Mr. Ginwala.—Have you enquired whether there is any bamboo in the neighbourhood of your mill?

Mr. Nabi-Ullah.—No, not in sufficient quantities. It is also a very inferior quality.

Mr. Ginwala.—With regard to other grasses you have not made any experiments except with *Moonj*?

Mr. Nabi-Ullah.—No. In fact we have been using Moonj for years but when the prices went up we could not use it.

Mr. Ginwala.—You can adapt your machinery to other kinds of grasses?

Mr. Nabi-Ullah.—If they are about the same quality. We cannot think of any other grass that can be substituted for Sabai. Mr. Raitt made experiments with other grasses.

President.—It is possible that experiments going on at Dehra Dun might result in something valuable.

Mr. Nabi-Ullah.—Other kinds of grasses could be used in these boilers, but we have not got any other grasses near. That is the point.



सत्यमेव जयते

Witness No. 3.

BENGAL PAPER MILL COMPANY LIMITED, CALCUTTA.

A.—WRITTEN.

Statement I.—Replies to questionnaire. Letter, dated 21st June, 1924.

We herewith send you six copies of our reply to the questionnaire issued by the Board with reference to the Paper Industry.

This form has been filled in as fully as we are able from our records, but we have found it impossible to answer in their entirety some of the questions; this is explained, however, in our replies.

We would ask that our replies to Questions 8, 20, 48, 49, 109 and 111 be observed as confidential.*

If there is further information we are able to give, we shall be happy to do so, otherwise the undersigned will attend at Simla to offer oral evidence in the week ending 5th July.

REPLIES TO QUESTIONNAIRE.

I. INTRODUCTORY.

1. Bengal Paper Mill Co., Ltd., Public Registered Co., established in 1889.
2. About one-third of the capital of the Company is held by Indian shareholders. There are one Indian and three British Directors. There are no Indians on the superior management of the mill.
3. The mill manufactures paper only.
4. The mill commenced to manufacture in 1891.
5. The full capacity of the mill is about 700 tons per mensem.
6. The outturn for the past 15 years has been as follows :—

	Tons.
1909	5,280
1910	5,482
1911	5,950
1912	6,151
1913	6,198
1914	6,065
1915	6,597
1916	6,619
1917	6,528
1918	6,093
1919	6,007
1920	6,010
1921	5,982
1922	6,205
1923	6,565

7. The mill is at Raneegunge, near one of its chief grass fields, in the middle of the coal districts and has been able to build up an adjacent labour

* The objection was subsequently withdrawn with regard to replies to all these questions except part of No. 20.

supply. It is somewhat removed from the important market of Calcutta, but is *en route* to the up-country markets. The most important factors in selecting a site for a paper mill are, we consider, water, coal and raw materials.

8. The chief classes of paper manufactured are :—Printings, Writings, Blottings, Azures & Antiques, Badamis, Browns, Colours & Unbleached, and the average percentage of the total output for the past five years is as follows :—

	Per cent.
Printings	34·77
Unbleached (Government)	27·06
Badamis	18·88
Browns	10·46
Azures	4·96
Writings	9·81
Blottings	·20
Antiques	·19
Colours	·17

9. Trade Classifications are :—Hand-made, Wove & Laid papers. No low grade papers are made by this Company, the material in use rendering it possible to make all papers good of their kind. The classes of paper rendered most easy of manufacture by the raw materials are :—Printings, Writings & Badamis.

10. In order to meet the requirements of various Users, particularly Government, it is necessary to make the above classes of paper, although it is highly desirable to make as few kinds as possible. The objection to several varieties is increased cost of production and decreased outturn. Although from import returns, figures indicate the possibility of mills restricting their varieties of paper, in practice, it is found that all big paper dealers in indigenous papers require various kinds. The tendency of increased output by Indian mills would be for mills to specialise in manufacture.

11. The manufacturing process of the Company is the caustic soda process.

II. RAW MATERIALS.

A.—Primary.

12. The primary raw materials used are :—Grass, jute, rags, hemp, waste papers and imported pulp.

13. The above materials have been used on the average in the following quantities during the last three years :—

	Tons.
Grass	6,500
Pulp	2,500
Bags & jute, etc.	1,250
Waste papers	1,051

N.B.—The proportions of these materials have been largely dictated by the necessities of the situation rather than by selection.

14. and 15. The following quantities of raw material are required to make one ton of paper :—

	Tons.
Grass	3
Wood pulp	1·20
Hemp jute, etc.	1·55
Rags	2·25

16. This question we find impossible to answer, as on the cost of transport largely depends the availability of raw material, the supply of which is indefinite.

17. Grass is collected from Chota Nagpur and the United Provinces and is brought from the forests by bullock carts, camel trains, bullocks and railways. Accompanying map indicates the sources of supply.

18. Transport by other than railway is generally under 25 miles.

19. Royalty varies from Rs. 24 per ton of grass (or Rs. 72 per ton of paper) in the United Provinces to Rs. 6-12 per ton of grass in Chota Nagpur; the former figure can be reduced by half when labour and freight are available for the collection.

20. Our returns permit the following comparison of the prices of raw materials between 1914 and 1923:—

	1914.	1923.
	Rs. A. P.	Rs. A. P.
Royalty—		
(Chota Nagpur grass, average)	5 0 0	9 4 6 per ton.
Freight	5 14 0	9 0 0 „
Other charges	27 2 9	37 15 6 „
	<hr/>	<hr/>
Total D/D Mills	38 1 3	56 4 0
	<hr/>	<hr/>

21. We hold forests from Government and Indian States for varying periods on varying terms. On neither score has the Company any complaint, but the restricted period for collection of grass from the forests makes it often impossible to collect the full quantity available. Collection would be assisted were it allowed throughout the dry season. In view of the fact that grass would be largely burnt if not collected by the Company, the royalty is unduly high.

22. The supply of grass varies primarily with labour conditions and in a degree with the monsoon, but generally we have no great falling-off to note for a period of many years' collection.

23. The area of collection of grass has been extended owing to the calls on labour from other industries, making it necessary to go farther afield to obtain a sufficiency. Another factor of considerable influence was the high cost of wood pulp during the War and favourable prices for paper, making it possible profitably to pay larger sums for transportation than is normally possible.

24. Our records do not permit us to answer this.

25. We have no fear as to the sufficiency of our raw materials in future, apart from difficulties of railway transport.

26. As already mentioned, the supply of grass is largely dependent upon labour and transport; eliminating these two factors, there has never been a time when ample grass has not been available for our requirements, in spite of competition from other mills. Extension of the railway system opens up vast areas, and we look upon the supply of suitable paper making material in India as unlimited.

27. We believe present areas will produce very much larger supplies of sabai than they have yielded in the past, but the production depends upon the supply of labour.

28, 29 and 30. Hitherto, pulp as a finished article has not been produced from bamboo in practical quantities. Paper has been made from bamboo as

from many other materials, but it has yet to be proved whether it can be made more cheaply from bamboo than from materials that have been in use for a very much longer period. Our experience in paper making from bamboo is restricted to a few mill experiments.

31. We know of no grass in India that can in any way compare with sabai for making papers comparable to esparto papers.

32. Rags are in ample supply for low class papers but not for the higher class, such as are made from linen rags at home.

33. The only difficulties in obtaining leases of Government forests have arisen from the natural desire of Forest Officers to show good commercial results from their areas, and as before stated, we consider the industry has had to pay too much in the shape of royalty.

34. We find it necessary to import wood pulp, not only because it is a necessary constituent for certain classes of paper which cannot be replaced in this country, but also and chiefly because it proves of invaluable assistance in keeping machines running when from any cause, mechanical or labour, the Preparing Plant of the mill may cease to function. The pulp we import is chiefly easy bleaching wood pulp from Norway or Sweden, costing :—

£14 per ton f.o.b. Gottenberg Port.

Freight and insurance charges £1-3-9d. per ton.

Landing charges, Rs. 4 per ton.

Transport from Port to Mill, Rs. 7-11-9 per ton.

Customs duty is at present nil.

35. Freight concessions from the railway are under consideration and will bring us much needed relief in making freights approximate to pre-war figures. Railway freights are high in consideration of the value of the materials collected for paper making. For instance, the freight before the War on a maund of paper from Hamburg to Raneegunge was Re. 0-14-8, while freight on grass sufficient to make a maund of paper was Re. 1-5-0 per maund from the Nepal fields. At present these rates compare as follows :—

From Hamburg on paper	Rs. 27-15-9 per ton paper.
From Nepal on grass	Rs. 39-3-9 per 3 tons grass or 1 ton paper.

B.—Auxiliary.

36. The approximate requirements per annum of auxiliary raw materials for the past three years has been as follows :—

	Tons.
Alkali	300
Caustic Soda	400
Rosin	150
Bleach	600
Aluminoferrie	450
China Clay	1,000
Lime	1,050
Dyes	8
Yellow Ochre	300

37. For the manufacture of a ton of finished paper, the following auxiliary raw materials are approximately required :—

	Per cent.	Cent.
Bleach	8	to 12
Caustic	14	to 15
Clay	10	to 20
Rosin	2	to 8
Aluminoferrie . . . . .	...	5

38. Bleach is imported from England; aluminoferric, china clay, caustic soda and alkali are in part from England and in part of local origin, rosin is obtained locally. The following are the particulars asked for under :—

A.

Bleach.	Aluminoferric.	China Clay.
a. England.	England.	England.
b. £9-12-6 per ton.	£4-10-6 per ton.	£3-6-6 per ton.
c. Calcutta.	Calcutta.	Calcutta.
d. £3-5-0 ,,	£1-7-6 ,,	£2-0-0 ,,
e. Rs. 4 ,,	Rs. 4 ,,	Rs. 4 ,,
f. Rs. 8-4 ,,	Rs. 8-4 ,,	Rs. 8-4 ,,
g. 15% on £ 12-10-0	15% on invoice val.	15% on Rs. 85.

B.

	Rs. A. P.	Rs. A. P.
Alkali	118 0 0 per ton.	10 4 0 per ton.
Caustic	310 0 0 ,,	10 4 0 ,,
Rosin	220 0 0 ,,	22 0 0 ,,
Lime . . . . .	.....	16 0 0 ,,
Yellow Ochre	30 0 0 ,,	3 7 0 ,,

Alkali and caustic are manufactured by the Magadi Soda Co., Budge Budge, and rosin by the Government Rosin and Turpentine Factory, Bareilly; lime from Katni and Sylhet; yellow ochre from Arjandas Bihari Lall, Nalhati. No chemicals are made in the mill.

39. As shown above, many of the auxiliary raw materials are manufactured in India, and as efficiency in manufacture improves, the mill will depend more completely on local materials. The manufacture of bleach is we understand, not contemplated in India, except by the factory immediately requiring chlorine, and difficulties of manufacture are likely to prevent this being a purchasable commodity. Dyes are also likely to remain an importation. Indian china clay is not of such fine quality as the English clay, but may prove susceptible to treatment.

III. LABOUR.

40. Our raw materials are chiefly collected by contract and we have no exact records of labour used, but we estimate the number of hands required for grass alone to be approximately 3,000 to 3,500, thus the wages for this labour are impossible to estimate. Our various collecting Agencies advise us

that wages have increased from 80 per cent. to 100 per cent. as compared with 1913-14, and this coincides with our experience with unskilled labour in other sections of the mill's activities. An approximate figure for cutting grass, which varies in different districts, may be taken at Re. 0-6-0 to Re. 0-10-0 per maund, and our coolies can easily cut $\frac{1}{2}$ of a maund, to a maund per day.

41. The difficulties in securing labour for the collection of grass are not greater than those encountered by other employers of labour, with the exception that grass must remain a cheap material if it is to compete with foreign pulp, as a basis for paper making.

42. In the United Provinces fields, labour has to be collected from 200 to 400 miles away, and owing to keen competition, it is often not available in full supply.

43. The labour used is untrained.

B.—Mill Labour.

44. Considerable expert supervision by skilled imported labour is requisite, for paper making has many branches where expert knowledge is required, which is only gained by severe training from boyhood upwards.

45. Fourteen Europeans are employed at Raneegunge, and this number has to be maintained whilst the whole factory is running, regardless of output.

46. Indian labour has proved quick to work in subordinate skilled positions and a large labour has been building, which is efficient in its various branches. It has not so far proved capable of supervisory appointments, for although several Indians have presented themselves for training and been given every facility, they have, without exception, failed to carry through the training which is required to make an expert supervisor, and have generally left the mill after acquiring superficial knowledge. The mill has always been ready to give opportunity to Indian workmen, for the Company would be glad to secure efficient local supervisors.

47. At present the wages paid to Paper Makers may be taken as Rs. 450 to Rs. 500 per mensem and £20 in the United Kingdom.

48 and 49. Some 1,200 hands are employed at Raneegunge. In 1919 the total wages for Indian mill labour were Rs. 1,09,345 and in 1923 this amount had increased to Rs. 2,87,968. The average cost for Indian mill labour per ton of paper was Rs. 18-0-7 in 1914 and Rs. 48-18-9 in 1923. The average wages per man in the different classes in 1917 and 1923 are as follows: 1917 is the earliest year available.

	1917.		1923.
Fitter	@ Rs. 20 per month of working days.		Rs. 30
Khalasie	" 10	"	" 17
Blacksmith	" 30	"	" 45
Fireman	" 17	"	" 27
Coal Coolies	" 12	"	" 18
Ash Coolies	" 10	"	" 16
Finishing House Coolies	" 10	"	" 18
Finishing House Women	" 6	"	" 11
Machine and Beater Sirdars	" 18	"	" 30
Masons	" 15	"	" 28
Women of various Departments	" 4-8	"	" 8
Coolies of various Departments	" 8	"	" 17

Grain allowance of 10 per cent. on wages was allowed from June 1919 to September 1919 and 20 per cent. from September 1919 to November 1919. In December 1919 a further 10 per cent. was allowed and on the workers getting a 50 per cent. increase in January 1921, the grain allowance was stopped. Since January 1921 they have been paid extra at above rates for 13 recognised holidays and since June 1921 extra at above rates for Sundays, although they do not work on Sundays.

50. The labour force for the mill is sufficient and lives in the vicinity of the mill. It is unreliable, however, as at the above rates wages are earned which make the regular attendance by the individual unnecessary.

51. The Indian labourer undoubtedly improves with training, but in most operations he requires leading and his sense of responsibility is undeveloped. His efficiency, as reflected in the hands employed, is probably as 4 to 1.

52. The Company provides lines for about $\frac{1}{4}$ of the labour force and is prepared to offer more housing accommodation, but labour prefers to live in its own adjacent villages. Free medical attendance is given and the water supply and sanitary conditions are supervised in the mill lines.

IV. POWER INCLUDING FUEL.

53. The main power is steam, supplemented by a 50 per cent. addition of electrical power.

54. Electrical power is generated at the mill.

55. Coal is the fuel in general use and is amply available.

56. The total fuel consumption is approximately $6\frac{1}{2}$ tons of coal per ton of paper.

57. The cost of coal varies as several qualities are used. First class Raneeunge coal costs approximately Rs. 10-8-9 per ton, the freight on which is Re. 0-13-3 per ton, while coal mined adjacent to the Company's mill is paid for at State Railway contract rates and carries no freight.

58. The Company buys its coal from various suppliers and owns no colliery of its own.

59. Nil.

V. MARKET.

For Paper.

60. These figures are not published, but we estimate the average production for the past five years has been 32,000 to 35,000 tons per annum, and we think this figure is about the same as applied in pre-war days.

61. The probable requirements for paper in India appear to be about 95,000 to 100,000 tons, of which there seems no reason why 85,000 to 90,000 tons should not be made in this country.

62. From experience in the past, it is likely that the general expansion of India will be reflected in increased paper requirements.

63. The produce of the mill is sold all over the country, mainly to best advantage in the large towns comparatively near the mill and far from the seaports.

64. It is only in seaports and in towns near seaports that the sale of Indian papers is handicapped as compared with foreign papers on the score of internal transit charges.

65. The export of paper from India does not seem a practical proposition at the present time, there being an ample market in India for all Indian production.

66. The paper sold to Government during the past 10 years and the prices realised are as follows:—

	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
H. B. }	0 2 1 $\frac{1}{4}$	0 2 1 $\frac{1}{2}$	0 2 5 $\frac{1}{2}$	0 4 10 $\frac{1}{4}$	0 5 10 $\frac{1}{2}$
H. B. Cartg. . . . }					
Azure Laid	0 2 6 $\frac{1}{2}$	0 2 6 $\frac{1}{4}$	0 2 11	0 5 11 $\frac{1}{4}$	0 7 0
White Cartg.	0 2 2	0 2 2	0 2 6	0 5 1 $\frac{1}{4}$	0 5 9
Cream Wove Bank . . .	..	..	0 4 9	0 9 9	..
Unbleached . . . . .	..	..	..	..	0 5 3 $\frac{1}{2}$
Tons .	3,157	2,792	2,676	2,676	3,065

	1919-20.	1920-21.	1921-22.	1922-23.	1923-24.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Unbleached Ptg.	0 5 3 $\frac{1}{2}$	0 4 9	0 6 9	0 4 0	0 3 10 $\frac{1}{2}$
H. B. Cartg.	0 5 10 $\frac{1}{4}$	0 5 4 $\frac{3}{4}$	0 7 6	0 4 6	..
White Cartg.	0 5 9	0 5 3	0 7 6	0 4 6	0 4 1 $\frac{1}{2}$
Azure Laid	0 7 0	0 6 6	0 7 8	0 5 6	0 5 2 $\frac{1}{2}$
Cream Wove Bank . . .	0 9 9	0 9 0	0 10 6	..	..
Unbleached Cartg. . . .	..	..	..	0 4 4 $\frac{1}{4}$	0 3 10 $\frac{1}{2}$
White Ptg. . . . .	..	..	..	..	0 4 1 $\frac{1}{4}$
Tons .	2,715	2,714	2,790	2,435	1,654

The prices at which paper was sold to Government during the war were 25 per cent. to 40 per cent. below the prices ruling in the bazaar, and as a general rule, Government prices are 15 per cent. below market rates.

67. The smaller newspapers use indigenous papers, but the larger papers require a class which cannot be made in India, being chiefly made of mechanical pulp.

B.—For Pulp.

68 to 72. As we are not contemplating the manufacture of pulp for sale, we do not deal with this question except to emphasise the fact with regard to No. 70, that for certain classes of paper, sulphite wood pulp from abroad will be necessary, however big the supply of bamboo pulp.

VI. FOREIGN COMPETITION.

Paper.

73. The chief competing foreign countries are the United Kingdom, Scandinavia, Finland and Germany.

74. The papers where we meet the keenest competition are good class esparto grass papers and high class rag papers, also papers made from sulphite pulp only. Good class writings, banks and stamp papers are made from these materials: also blottings.

75. The foreign papers competing with our papers are chiefly made from wood pulp, esparto grass and rags.

76. The following are the comparative prices for foreign and local papers during the years specified:—

	1912.	1913.	1914.	1917.	1918.	1921.	1922.	1923.	1924.
Local—									
Printings	0 2 2	0 2 2	0 2 2	0 6 2	0 7 7½	0 5 8½	0 4 9	0 4 9	0 4 6
Writings	0 2 4½	0 2 4½	0 2 4½	0 6 2	0 7 7½	0 6 2	0 5 0	0 5 0	0 4 6
Browns	0 1 6½	0 1 6½	0 1 6½	0 3 9½	0 4 3½	0 3 9½	0 3 6	0 3 4	0 3 1½
Foreign—									
Printings	0 1 11	0 1 11	0 1 11	0 3 0	0 6 0	0 6 6	0 4 9	0 4 3	0 4 3
Writings	0 2 3	0 2 3	0 2 3	0 5 3	0 6 6	0 7 0	0 5 3	0 4 6	0 4 6
Browns	0 1 1½	0 1 1½	0 1 1½	0 3 0	0 3 6	0 3 9	0 3 0	0 2 0	0 2 0

77. Our information is gained by the Company's salesmen and its brokers and agents with regard to the prices of imported papers and particular care is taken to check these figures as the mill's prices are so largely influenced accordingly. Also the mill has expert reports from paper salesmen in England indicating prices, and we consider the information we act on is entirely reliable.

78. Quotations in "Trade Journals" approximate to the rates at which business can be transacted, but as stated in No. 77, we do not rely on this source for arranging our selling prices. Paper is often obtainable below the quoted rates, the reduction being dependent on the keenness of the seller for business, the quality in question, the weight of the paper and other considerations. For these reasons a 5 per cent. to 7½ per cent. reduction may be secured on a quiet market.

79. Our Home correspondence and "Trade Journals" entirely coincide as to the keenness of English mills securing orders for India and elsewhere at prices which leave no profit, but which enable them to keep the mills running and thus reduce standing charges per ton of paper.

The following extracts from our Home Expert's reports will bear on this point:—June 1923 "The plain truth is that a good many of our mills are selling paper at a distinct loss, particularly those classes of paper which include E.S. Writings and Printings, Wrappings and Common Book papers. It is difficult to appreciate this condition of the market, but the most likely explanation is that the Home demand is poor and would be still further depressed by a general advance in prices." February 1924 "While some mills are busy enough to keep all machines going on full output and others are handicapped for lack of orders, the complaint is general that prices are unremunerative. The wood pulp mills say they are selling Printings and Writings at ¼ per lb. below cost." April 1924 "The free Wood Mills are

endeavouring to secure an extra $\frac{1}{4}$ per lb. on their papers. These mills are not making profits and many of them are carrying on under great difficulty.

The following is an extract from the "World's Paper Trade Review" of May 16th, 1924:—"The prices named by the Scottish correspondent of the World's Paper Trade Review as prevailing figures for esparto and wood free papers serve to show a difference in market values which certainly appear to exist. Esparto paper at $3\frac{1}{4}d.$ per lb. for making is a very near thing if costs are anything to work on, and yet there are undoubtedly some mills taking orders at the price. It is almost an unknown price among consumers, however, the bulk of whom are quite accustomed to paying $3\frac{1}{4}d.$ per lb. for second quality esparto and $4d.$ per lb. for first grade. In practice it is impossible to sell below these figures with any hope of decent profit."

80. This Company feels foreign competition chiefly in Bombay, Madras and Calcutta.

81. Apart from English and Scotch Mills, which are dealt with in Answer 79, Continental Mills have been assisted by exchange and the lower standard of wages which are received on the Continent in comparison with the United Kingdom. Since the War, American competition has not been very apparent, and Japanese has fallen off a lot in face of the cheap papers which can be landed in India.

82. We give herewith comparative figures of rates of freight from our mill and from foreign ports of exportation, these latter including sea freights and landing charges:—

B. P. M.	B. P. M.	Imported to Calcutta and railed up-country.	
	Rs.	Rs.	
Allahabad	12 8 0 a ton	51 8 0 ton	Rates taken for wagon
Cawnpore	16 8 0 "	55 8 0 "	loads (300 mds.). Freight
Delhi— <i>via</i> Calcutta	23 0 0 "	61 0 0 "	on imported papers by
Delhi— <i>via</i> Bombay . . . . .	..	76 13 0 "	sea taken at £2-5-0 a
Lahore— <i>via</i> Karachi	45 0 0 "	74 6 9 "	ton <i>plus</i> 10% for clear-
Calcutta	5 0 0 "	35 4 0 "	ing, etc.
Madras	50 0 0 "	33 0 0 "	
Bombay	57 0 0 "	40 0 0 "	Imported to Bombay freight £1-15- $\frac{1}{4}d.$

83. The following are examples of railway freights:—

B. P. M.	Distance from Rancegunge.	Rate per md. per mile wagon loads.	Rate per md. per mile small lots.
	miles.	pies.	pies.
Allahabad	392	22	44
Lucknow	495	29	45
Cawnpore	512	23	43
Delhi	782	21	43
Lahore	1,092	29	41

84. We have no evidence to offer in the direction of Continental papers coming out from England.

85. Compared with foreign manufacture, the Indian mills are undoubtedly encountering far more difficulty than Home manufacturers.

- (a) The upkeep of plant and machinery is very much heavier and has to be maintained without the assistance of machine makers, which is so easily gained at home.
- (b) The cost of expert labour, as mentioned in No. 47 is considerably higher, whilst
- (c) The efficiency of ordinary labour is so much lower.
- (d) The collection and transport of primary raw materials has to be undertaken by the mill, whereas in the United Kingdom materials are obtainable from middle men in competition with each other, and consequently are supplied at the minimum of effort to the mills.
- (e) Auxiliary raw materials and consumable stores are generally no more costly to the Indian than to Home mills, excepting freight and duty. Deterioration is a danger to be guarded against in some stores, while the necessity for the maintenance of stocks of materials purchasable by Home mills at short notice, is a distinct disadvantage for Indian mills.
- (f) The chief disadvantages with regard to freights on finished goods are those mentioned in 63 and 64.
- (g) Stocks of spare parts have to be heavy owing to the time it takes to replace breakages from home. The expansion of the Engineering Industry, however, is lessening the disadvantages in this direction.
- (h) Serious losses are not infrequently caused by damage done in opening goods for Customs examination, and duties levied upon our chief requirements are as follows:—

	Tariff value.
Bleaching Powder, 15%	on Rs. 12 8 0 per cwt.
China Clay, 15%	„ 85 0 0 per ton.
Caustic Soda—Solid, 15%	„ 17 8 0 per cwt.
„ „ —Flake, 15%	„ 23 0 0 „
„ „ —Powdered, 15%	„ 22 0 0 „
Aluminoferric 15%	„ Invoice value.
Rosin, 15%	„ „
Sulphite of Alumina 15%	„ „
Machinery Parts—Felts, 2½%	„ „
„ „ —Jackets, 2½%	„ „
„ „ —Wires, 2½%	„ „
„ „ —Belting, 2½%	„ „
Wood Pulp	Free.

- (i) The raising of capital at present in India for Paper Mills would be very expensive, if not impossible; this remark, however, applies to several industries, but we think in the ordinary course, the Paper Industry would have to pay about 3 per cent. more for its capital in this country than in Europe.

For many years the Company has not had to erect machinery other than it could do under the supervision of its own expert staff, so we are unable to give definite figures as to the comparative cost of erecting machinery in India and England. Under existing circumstances out here and at home, we doubt if there is much difference in favour of either country.

86. Nos. (a), (d) and (i) are permanent disadvantages, while (b), (c), (e), and (g) are likely to be diminished in their intensity, although remaining for many years, (f) and (h) are disadvantages, the incidence of which remains very largely in the hands of Government and the Railways.

VII. EQUIPMENT.

87. The Bengal Mill is amply large to be an economical unit, the minimum of which, we should say, would be two machines making 3,500 tons annually.

88. Both pulp and paper require expensive and elaborate machinery.

89. About 60 per cent. of our total capital outlay was incurred on plant and machinery, the majority of the remainder being on buildings.

90. The mill has for paper making machines with its supplementary preparing plant for dealing with the various classes of raw materials handled; it is also fitted with various saving plant, and the whole has been brought into good and modern conditions during the past few years.

91. We consider the mill at RaneeGUNGE compares favourably with the large majority of mills making similar class of paper in the United Kingdom.

92. Methods of paper making have remained unaffected, except in small particulars where improvement is always taking place, during the past 10 years.

93. Bringing the plant up-to-date has improved without altering processes at the mill, but labour troubles have prevented the Company reaping the consequent advantages, except in regard to electrification, which has been applied to about one-third of the mill.

94. We contemplate no replacements or extensions other than those under completion at the present time.

95. None of the plant is made in India, except joists, pulleys and small replacement jobs.

VIII. CAPITAL ACCOUNT.

96. At the end of 1923, Block Account stood as follows :—

	Rs.
Land	1,66,339
Buildings	3,77,867
Machinery	7,53,377
Siding	937

97. The amounts written off for depreciation during the life of the Company are as follows :—

	Rs.
Buildings	12,91,848
Machinery	20,33,700

in addition Rs. 3,00,000 remain in hand to cover the completion of improvements and extensions.

98. The sufficiency of the Depreciation Account was only achieved by a reduction in the capital of the Company, whereby the capital was reduced from Rs. 12,00,000 to Rs. 3,00,000 in 1903-04.

99. We estimate the present day cost of a mill similar to that at RaneeGUNGE would be :—

	Rs.
(a) Buildings	15,00,000
(b) Plant and machinery	45,00,000

The cost of the present mill has been as follows :--

	Rs.
(a) Buildings	16,69,214
(b) Plant and machinery	27,64,611

A new mill should be cheaper in operation than the mill at Raneegeunge, but with similar material, it is doubtful whether the difference would be very appreciable.

100. The sums spent on plant and machinery in the following years were :--

1917.

Power Plant Rs. 1,76,720 @ 1—4 $\frac{3}{4}$ d. exchange.

1918.

Power Plant Rs. 2,30,793 @ 1—4 $\frac{3}{4}$ d. do.

1919.

Refiners }
Machine Improvements } Rs. 96,850 @ 1—7 $\frac{1}{4}$ d. do.

1920.

Steam plant Rs. 61,463 @ 1—10d. do.

1921.

Rag Boilers, Evaporating }
Plant. Machine and Improvements } Rs. 4,92,991 @ 1—8 $\frac{9}{10}$ d. to 1—5d.
Beaters, Grass Boilers, Paper Cutters } exchange.

1922.

Machine Improvements Rs. 2,50,216 @ 1—3 $\frac{1}{4}$ d. exchange.

1923.

Reeling Machine and Steam Plant
Improvements Rs. 73,668 @ 1—4 $\frac{1}{2}$ d. exchange.

1924.

Pumps, Strainers, etc. Rs. 13,567 @ 1—5d. exchange.

101. The authorised capital of the Company is Rs. 14,00,000 of which Rs. 8,88,225 have been issued in Ordinary Shares of Rs. 25 each and Rs. 2,00,000 in Preference Shares of Rs. 50 each.

102. Preference Shares carry 7 per cent. interest and have preferential claim on capital. Dividends have been paid up to date since the reduction of capital and the shares were floated when the Company was floated.

103. Nil.

104.

	Dividends distributed on ordinary share capital.				Dividends distributed on preference share capital.	
	Rs.	A.	P.	Per cent.	Rs.	Per cent.
1904	Nil.				13,965	7
1905	Nil.				13,965	7
1906 (half-year) . .	8,000	0	0	8	13,965	7
1907	25,333	5	4	8	14,000	7
1908	32,000	0	0	8	14,000	7
1909	24,000	0	0	6	14,000	7
1910	24,000	0	0	6	14,000	7
1911	24,000	0	0	6	14,000	7
1912	24,000	0	0	6	14,000	7
1913	24,000	0	0	6	14,000	7
1914	24,000	0	0	6	14,000	7
1915	32,000	0	0	8	14,000	7
1916	40,000	0	0	10	14,000	7
1917	2,60,000	0	0	52	14,000	7
1918	3,12,000	0	0	52	14,000	7
1919	3,12,000	0	0	52	14,000	7
1920	3,12,000	0	0	52	14,000	7
1921	2,25,000	0	0	25	14,000	7
1922	Nil.				14,000	7
1923	Nil.				14,000	7

105. The following is the average rate of dividend paid on the Ordinary Shares during 1904 to 1923 inclusive $15\frac{1}{2}$ per cent.

1904-1916	} $\frac{1}{8}$ per cent.
1922-1923	

106. The Company has a Debenture Loan of Rs. 7,00,000 carrying 6 per cent. interest, repayable in 1926, against which a Debenture Redemption Fund amounts to Rs. 3,57,164-11-2 and Rs. 1,92,300 has not been issued, but has been lodged as security for overdraft with the Managing Agents.

107. The general reserves of the Company amount to Rs. 3,00,000 and has been set aside from profits.

108. No further capital is required.

IX. COST OF PRODUCTION.

A.—Works Costs.

109. The process from our raw materials to unbleached pulp, from unbleached pulp to bleached pulp and from bleached pulp to paper are so closely allied that separate accounts are not kept with the Company and we have, therefore, only been able to fill in Forms 1 and 4 in regard to paper-making. Estimated costs of the various operations could be supplied but we thought it preferable to adhere to actual figures. The difference between bleached and unbleached pulp depends on the class of paper made, but generally it may be taken that to bleach a ton of unbleached grass pulp would cost Rs. 55 at present rates. Form 5 has not been filled in as the Company does not undertake the manufacture of any chemicals and the various recovery processes are included in the cost of auxiliary raw materials.

110. The Works cost in 1923 was increased considerably by the low output arising generally from labour working slow; it is this factor which gave us an outturn of 547 tons per month instead of 700 tons. The increased cost per ton of paper we estimate at Rs. 49 standing charges being practically the same for either output.

111. Our 1923 costs were high, due in part to the high cost of auxiliary raw materials also low returns, but we estimate our charges on a normal year should be as follows:—

	Rs.
Raw materials	150
Purchased pulp	50
Mill labour	64
Power and fuel	45
Repairs and maintenance of buildings and machinery .	31
General services, etc.	13
Taxes and insurance	6
All other items—Head office, interest, packing . .	21
	<hr/>
	380
	<hr/>

112. No, the mill does not have any detailed system of costing.

113. We regret we cannot give these details, but our Home correspondents advise us that esparto grass mills, selling their products at 3½ per lb., have been working without profit, or at a loss.

B.—Overhead Charges.

I.—Depreciation.

114. 2½ per cent. is allowed by the income-tax authorities on buildings and 7½ per cent. on machinery; these figures seem to operate equitably.

115. The sum required for depreciation at income-tax rates amounts to Rs. 41,730 on buildings and Rs. 2,00,000 on machinery, these assets being valued at cost. Taking the assets at depreciated value, the sums required are Rs. 9,446 and Rs. 56,503, respectively.

116. The depreciation required at present rates on the value of a mill erected to-day on the scale of the Raneegunge-mill would be Rs. 37,500 for buildings and Rs. 3,37,500 for machinery.

117. The charge per ton for depreciation on the mill at prime cost is Rs. 38-3-9 on present outturn and Rs. 29-14-2 on capacity outturn. This calculation on depreciated value of block would mean a charge of Rs. 10-0-9 per ton on present outturn and Rs. 7-13-7 on capacity outturn. On a new mill, such as Raneegunge, with the present outturn, Rs. 57-1-11 would be required for depreciation but on full capacity, this would be reduced to Rs. 44-10-9.

II.—Working Capital.

118. At present the working capital required is about Rs. 15,00,000. The increased outturn to the full capacity of the mill should not necessitate more than another Rs. 2,00,000 for the purchase of raw material, etc.

119. The Company has had to borrow in order to provide itself with working capital.

120. On the 1st of February 1923 the amount borrowed was Rs. 3,99,547 at 1 per cent. above bank rate.

121. The cost of one month's output is approximately Rs. 2,78,000 or 18 per cent. of the working capital.

122. The average value of finished stocks is Rs. 4,50,000 and the majority of the output is converted into cash within 70 days.

123. The value of coal, stores and raw material stocks varies from Rs. 7,50,000 to Rs. 11,00,000, the lower figures being reached at the commencement of the grass collecting season.

III.—Agents' Commission and Head Office Expenses.

124. The Head Office of the Company is at 103, Clive Street, Calcutta, where Balmer, Lawrie & Co., Ltd., are the Managing Agents.

125. The annual amount of Head Office expenses is Rs. 89,658 for 1923 and the Managing Agents' Commission is 15 per cent., this being 5 per cent. higher than normal owing to the Managing Agents having saved the Company from liquidation by the provision of capital when none was obtainable in the open market.

126. The Agents' commission is determined on the nett profits before deduction of debenture interest or depreciation.

127. The cost per ton of paper of Head Office expenses is Rs. 13-10-7 but the Agents' commission depends upon the profits, not on the turnover. These figures are on the present output, but on the full capacity of the mill, they would be Rs. 10-2-8 per ton.

X. MANUFACTURERS' PROFITS.

128. 9 per cent. to 10 per cent., if the industry is established and protected.

129. 7 per cent. debentures and 8 per cent. preference shares might attract capital under the conditions named, but it is doubtful.

130. 12 per cent. to 14 per cent.

Incidence per ton of paper.

131.

1923.	Fair return on Ordinary shares.	Dividend on preference shares.	Interest on Debentures.
	Rs.	Rs.	Rs.
Present Output	13-70	2-13	4-64
Mill capacity	10-72	1-67	3-63

XI. CLAIM FOR PROTECTION.

132. A. We claim that an abundant supply of raw materials, sufficiently cheap power, labour and market conditions are all favourable to the establishment of the paper industry in this country. In reply to Question 85 we

set forth the difficulties which the industry meets, but in our experience, none of these difficulties prohibit the establishment of a healthy industry provided the Indian market is protected from dumping by foreign manufacturers.

B. Without protection we do not think the paper industry will develop to any appreciable extent, for market conditions are too uncertain owing to free imports of low-priced papers to permit confidence in any fair return for capital invested.

C. It is difficult to answer this question. A period of protection in India may lead to the development of some other dumping ground for surplus production from foreign mills passing through periods of restricted local consumption. A period of protection for the Indian Paper Industry should enable it to develop local supplies in all directions, which may enable it to face fair foreign competition successfully.

133. (a) We are not sure that large scale production would be reflected in any increase in economic production, except in the direction of a larger paper industry being likely to attract subsidiary industries in order to supply the varied needs of the paper factories, and these needs, if met locally, would likely be more economical than the present method of indenting abroad.

(b) We do not think the supply of all India's requirements from Indian manufacturers is a practical proposition. In time if the present industry is brought into a healthy condition, the tendency will be to try and meet all India's requirements, that can be met, from local supplies of raw materials, but for many years we do not anticipate seeing any great difficulty in meeting India's requirements of special classes of paper.

134. We consider the period of stress during 1914 to 1918 proved conclusively, not only the desirability but the necessity of paper mills in this country.

135. The paper industry seems to be peculiarly suitable for Indian economic conditions, in so far that the large proportion of labour used in its production, from the collection of raw materials to the handling of the finished product, requires no skill, while the skilled labourers require no exceptional qualification in the way of physique. These conditions, together with the fact that India can supply the large majority of the needs of a paper industry, affords strong points in its favour.

136. We consider protective duty should be imposed on all classes of paper. The high class papers can easily stand such protection as we ask for, and if the very low class papers are to be excluded from the tariff, the natural tendency will be to induce India to utilise a class of paper which cannot be made in the country. As far as we can see, 90 per cent. of India's requirements can be made locally when the industry has developed, and of the remaining 10 per cent., probably half only is of the cheap class of paper known as "News" made from free wood. At present this, in common with other classes of paper, pays a 15 per cent. revenue duty, and we believe a further 10 per cent., bringing it up to the 25 per cent. protective duty we ask may be placed on all imported papers, will inflict no undue burden on any interests. Should this belief not find support, we would strongly urge that any exceptions to the levy of protective duty on this class of paper, be made in the form of licenses to import. Exclusion from the tariff would lead to the import of "News" to take the place of other papers, which can be, and are being made, locally.

137. We do not anticipate having to ask for further protection than 25 per cent., but should the paper market be influenced to an abnormal

degree by depreciated exchanges or other causes, we presume the Tariff Board will be in existence to receive representations on this score.

138. The protection received by the industry at present from the existing customs duties is 15 per cent. on paper and Rs. 35 may be taken as the average freight, insurance and landing charges on foreign paper. This is gross protection, however, from which, in order to find the net figure, have to be deducted the import duties we pay upon mill materials and the freight and handling charges on bringing our paper on to the market. In the case of Calcutta, the freight on paper amounts to Rs. 5-6-0 per ton; in Madras Rs. 50 and in Bombay Rs. 57.

139. Our reason for asking for 25 per cent. protection on schedule rates to be based on market rates in India is, that we have found by experience that the present levy of 15 per cent. is not sufficient to prohibit foreign mills from selling at or below cost. Our own working figures show to us that on working the mills at their full capacity, it is not a difficult thing to reduce the cost of paper by 10 per cent. and we believe 25 per cent. is the minimum which will make foreign manufacturers look to other markets rather than sell their surplus production in India at or under cost. In asking for 25 per cent., we are hopeful of counteracting to some extent the advantages which many foreign mills hold by reason of ocean freights against the higher train freights of the local mills. In brief, we consider the 25 per cent. protection asked for by Indian mills is necessary to enable them to continue selling their paper at present prices, and we do not anticipate from the present condition of the paper market, that if the protection is granted, the extra 10 per cent. in Customs duty will have the effect of raising the price of paper, but that it will be reflected in the greater ease with which local mills will find buyers for their output, thus enabling them to reduce their cost of manufacture.

140. We trust our various replies have made it clear that the paper industry's petition for protection is based on the question of dumping, and consequently has nothing to do with the years it has been established.

141. We see no conflict between the claims for protection of paper and of pulp, although the latter is raw material to the former. We feel that our arguments in favour of protecting the paper industry would be considerably weakened, were we to object to the increase of duty on pulp. Protected paper and free pulp would likely lead to the establishment of a paper industry based on foreign materials, and this is not in the interests of the country. We are of opinion, however, that there is a vital difference between the protection asked by the two industries, for whereas the paper industry has a large Indian market to supply, we are very doubtful if the pulp industry can depend on other than export demand. If bamboo pulp is proved a better proposition for paper-making than pulp from the raw materials at present in use, it is not unlikely that the paper mills will make their own pulp from bamboo as they at present make it from grass. We, therefore, look upon the protection asked for by the pulp industry as chiefly directed to the building up of an export trade. Hitherto the production of bamboo pulp as a marketable commodity, has not been proved, and we are doubtful whether supplies of this material will be forthcoming for at least two years. Whilst, therefore, considering a protective duty against wood pulp a necessary corollary to the protection of paper, we would strongly urge that such duty may not come into effect for a period of two years, during which the paper mills may take steps to collect and handle local raw material, to take the place of imported pulp. With such concession, we believe, the paper industry will be in no way hurt by the introduction of a reasonable duty on wood pulp, for although for reasons given in our reply to Query No. 34, it may be necessary for many years to come to import a certain quantity of wood pulp, it will be in diminishing quantities, and thus add no insuperable burden to the costs of producing paper.

FORM I.

Statement showing the total expenditure incurred on the production of paper during certain years. See Question 109.

	1914	1921	1922	1923
	Rs.	Rs.	Rs.	Rs.
1. Primary Raw materials .	3,53,654	6,82,026	6,70,697	6,71,240
2. Purchased Pulp .	3,03,479	13,90,654	8,57,266	6,55,758
3. Auxiliary Raw Materials .	3,21,478	7,27,779	7,75,865	7,36,000
4. Mill labour . . .	2,05,802	3,71,783	4,26,554	4,63,761
5. Power and Fuel . .	1,19,428	3,73,793	4,84,890	4,52,696
6. Ordinary current repairs & maintenance of buildings, plant and machinery.	1,11,318	3,08,376	3,05,263	2 78,991
7. General services, supervision, local office charges and packing.	46,562	62,249	60,403	83,824
8. Miscellaneous, e.g. rent, municipal taxes, insurance, etc.	16,032	75,433	69,911	66,354
9. Any other single item not enumerated above which amounts to 5% or more of the total expenditure.	..	..	..	..
TOTAL	14,77,753	39,93,093	36,50,849	34,08,624
Total production in tons of paper manufactured for the year	6,068	5,982	6,208	6,656

FORM IV.

Statement showing the works cost per ton of finished paper. See Question 109.

	1914	1921	1922	1923
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1. Manufactured bleached* pulp.	58 4 6	114 0 2	108 0 8	102 3 9
2. Purchased bleached pulp .	50 0 2	232 10 3	158 1 5	99 14 1
3. Auxiliary raw materials .	52 15 7	121 10 8	124 15 8	112 1 7
4. Mill labour	33 14 10	62 2 5	68 10 7	70 9 2
5. Power and Fuel . . .	19 10 11	62 7 9	78 1 9	68 15 3
6. Ordinary current repairs and maintenance of buildings, plant and Machinery.	18 5 5	51 8 10	49 2 10	42 7 1
7. General services, supervision, local office charges and packing.	7 10 10	10 6 6	9 11 7	12 12 11
8. Miscellaneous, e. g. rent, municipal taxes, insurance, etc.	2 10 4	12 9 9	11 4 3	10 1 9
9. Any other single item not enumerated above which amounts to 5% or more of the total expenditure.	..	..	..	.
	243 8 7	667 8 4	588 0 9	519 1 7
Credit for materials recorded (if any).	सत्यमेव जयते ..	...	..	..
Total production of finished paper for the year.	6,068	5,982	6,208	6,565 tons.

*This was subsequently corrected in oral evidence as "Primary raw materials."

Statement II.—Supplementary information submitted by the Bengal Paper Mill Company, dated 21st July 1924.

We duly received your letter of the 9th instant with enclosure, which we return corrected herewith.

We also enclose answers to the supplementary questions arising out of the oral examination, which we hope will be found to give the information required. We may mention that we have original invoices substantiating the prices for foreign papers referred to in these further replies.

In addition to the questions dealt with, Mr. Ginwala asked for comparisons in cost through working pulp and paper processes under one roof or working the pulp at the scene of raw materials and the paper elsewhere. We regret that we have no particulars on this matter and we have therefore omitted referring to it. We understand, however, other Paper Companies are giving the information required, which we believe will cover the necessary ground.

Reply to supplementary questions arising out of oral examination.

(i) Arising out of No. 7, I was asked to compare the freight payable at Mills situated in the grass fields and Mills situated in the coal fields.

<i>Mills situated at Raneegunge :—</i>	Rs.	A.	P.
1½ tons of grass from Ramnagar at Rs. 13-13-1	20	11	7
1½ tons of grass from Goilkera at Rs. 9	13	8	0
6 tons of coal from Jherria/Raniganj at Rs. 1-8-0	9	0	0
TOTAL	43	3	7 per ton of paper.

Assuming that all coal be drawn from the adjacent colliery, the freight would be reduced by Rs. 9, i.e. the total would be Rs. 34-3-7.

<i>Mills situated at Ramnagar :—</i>	Rs.	A.	P.
3 tons of grass			<i>Nil.</i>
6 tons of coal from Jherria/Raniganj at Rs. 11-8	69	0	0
<i>plus extra freight on say :—</i>			
¾ ton chemicals and materials per ton of paper at Rs. 16	12	0	0
TOTAL	81	0	0

(ii) Q. What is the total rent and royalty on grass and how does the freight on esparto grass from Spain to Glasgow compare with the freight on sabai grass from the fields to Raneegunge?

A. In 1923 the following sums were paid in rent and royalty :—

<i>Sabai Grass.</i>	Rs.
* Ramnagar	45,000
Nagpur—	
Singbhum and Porahat	23,332
Bonai	1,000
Gangpur	1,000
Nagra	5,500
Kali-Hati	3,500
(Forest not worked)	
TOTAL	79,332

* Paid to Contractor who developed the field.

From these fields we collected 131,835 mds. and in 1914 we collected 113,092 mds. from the following fields :—

	Mds.
Nagpur	99,286
Nepalgunge	13,806
TOTAL .	113,092

N.B.—In 1914 we worked other forests through Contractors, but have no record of rent paid.

The price of Spanish esparto c.i.f. United Kingdom is at present £6 10s. 0d. and is generally carried in chartered vessels on which the freight might be taken at 10s. to 12s. 6d. per ton.

(iii) Q. Give particulars of costs as called for in No. 20, for each field, for 1923-24.

A.	1923.	Rs. A. P.
<i>Nagpur</i> —		Per ton.
Average price paid to Contractors		23 2 6
Rent		9 4 6
Railway freight		9 0 0
Press and Godown Rents		4 3 6
Management and Forest Establishment Charges		7 9 6
TOTAL .		56 4 0

The total grass collected was 81,670 mds. and the total available 135,000 mds.

	1923-24.	Rs. A. P.
<i>Ramnagar</i> —		Per ton.
Cutting		11 13 0
Carting		8 7 0
Baling		2 8 6
Loading into Wagons		0 5 1
Railway Freight		13 13 1
Rent		23 10 0
Establishment Expenses		4 3 6
TOTAL .		64 12 2

The total grass collected was 50,165 mds. and the total available 150,000 mds.

(iv) Q. Give actual quantities of grass collected from total areas in pre-war and post-war years.

A.	1913-14.	1922-23.	1923-24.
	Mds.	Mds.	Mds.
Nagpur	99,286	99,400	81,670
Ramnagar	not worked	82,637	50,165
Lansdowne . . . . .	..	46,555	Nil.
Sahebgunge	50,293	19,851	..
Nepalgunge	59,686	29,277	..
Pirpainti	4,506	Nil.	..
Bariaurpur	9,300	..	..
	223,071	277,720	131,835

In 1922-23 and 1923-24 further supplies could have been drawn from all these areas, had they been required.

Q. What is the value and charges on bleach, aluminoferric, China clay imported from England in 1914 ?

A.

Bleach.	Aluminoferric.	China clay.
(a) England.	England.	England.
(b) £5 per ton.	£2-10-0 per ton.	£1-10-0 per ton.
(c) Calcutta.	Calcutta.	Calcutta.
(d) £2 per ton.	£1 per ton.	£1-10-0 per ton.
(e) Rs. 4 per ton.	Rs. 2-8 per ton.	Rs. 2-8 per ton.
(f) Rs. 8 per ton.	Rs. 3 per ton.	Rs. 2-8 per ton.
(g) 5% on invoice value.	5% on invoice value.	5% on invoice value.

The latest price for lime is Rs. 15-10 per ton f.o.r. Katni, whence the freight is Rs. 16-13.

(v) Arising out of the employment of 14 Europeans at Raneegunge, unfavourable comparisons were made with Lucknow, where I was informed that Europeans are not used. My information, however, is that up to a short time back, the Lucknow Mills had 5 or 6 Europeans in its employ.

(vi) The total customs duties paid by us on auxiliary materials in 1923 were as follows :—

	Rs.	A.	P.
Bleaching powder	24,539	14	0
China clay	6,750	0	0

These commodities may be expected to be our chief importations of auxiliary raw materials in future, and exemption from duty would give a relief of approximately Rs. 5 a ton of paper made, or an advantage of 1 per cent. on the average value of our paper.

(vii) The outturn taken as a basis for calculating our costs in answering this question was 7,680 tons, and the following estimated costs of making pulp and paper in a normal year are amended to meet the explanations given at the oral examination.

	To un-bleached pulp.	To paper.	Total.
Raw materials	212 8 0	37 8 0	250 0 0
Purchased pulp	50 0 0	..	50 0 0
Mill labour	52 0 0	12 0 0	64 0 0
Power and fuel	23 8 0	21 8 0	45 0 0
Repairs and maintenance of Buildings and Machinery.	15 0 0	16 0 0	31 0 0
General Services, etc. . . . .	..	.	13 0 0
Taxes and insurance . . . . .	..	..	6 0 0
All other items, Head Office, interest, etc. . . . .	.	.	21 0 0
		TOTAL .	480 0 0
Works Cost . . . . .	.	.	480 0 0

In reply to remarks by the President regarding the effect of the suggested protective duty, we take the following three classes of paper: White Printing, Badami and Cream Laid. The estimated costs of chemicals and materials for these papers on April 1923 working are respectively: Rs. 350; Rs. 175; Rs. 380 per ton of paper. To these have to be added the standing charges set forth in Answer No. 111, amounting to Rs. 180 a ton. This shows a total all-in cost for White Printing of Rs. 530 per ton, which almost exactly coincides with the English valuation of Rs. 525 of this paper based on current rates at Home. German Mills, however, are selling in Calcutta at Rs. 525 per ton whereas we have to try and sell at Rs. 572 per ton net, i.e. Rs. 665 less 14 per cent. discount, in order to have Rs. 47 to cover depreciation and dividends.

In the same manner, Cream Laid, with an all-in cost of Rs. 560, is valued at exactly the same figure on the English market. Austrian papers are sold in Calcutta at this figure or Rs. 560 and we try to sell at Rs. 700 less 14 per cent. discount or Rs. 602, in order to have Rs. 42 to cover depreciation and profit.

Badami paper with an all-in cost of Rs. 355 is valued on the English market at Rs. 420 and we try to sell at Rs. 452 net, i.e. Rs. 525 less 14 per cent. It is this paper which might be replaced to some extent by Newsprint, quoted to-day in England at Rs. 350 per ton and offering in Calcutta from Germany at Rs. 345.

25 per cent. duty instead of 15% on foreign papers would mean that German White Printing could not be placed on the market under Rs. 572 on the present basis of return to the Manufacturer and Importer, whereas Cream Laid would similarly cost Rs. 610.

Such protection would therefore facilitate the sale of our paper at present prices, and assuming a gradual improvement in efficiency of 10 per cent. on our all-in costs with the increase of outturn, we should be able to sell White Printing at Rs. 572 against an all-in cost of Rs. 473, whilst Cream Laid would be sold at Rs. 602 against an all-in cost of Rs. 504 thus making a reasonable allowance for depreciation and profit

25 per cent. on foreign Newsprint would only bring the selling price up to Rs. 350 or Rs. 5 below the cost of our Badami, and although this competition might cut into our Badami trade, the indisputably better qualities of the Badami should better enable us to sell our outturn.

It will be noted that all comparative foreign prices are taken at 1s. 4d. exchange, and it may be mentioned that before the War when we were selling Badami at a net price after allowing for discounts of Rs. 233, we were selling at a loss, due in a degree to the pressure of competition from Newsprint, at that time selling at Rs. 210.

A further point on which I was questioned was as to whether it was possible to show the disadvantages Indian paper suffers in terms of rupees, annas and pies. During 1923 the Company paid Rs. 44,215-9-0 as duty on materials, stores, etc., equal to Rs. 7 per ton of paper made. It was shown in the oral evidence that the Mill suffered in comparison with foreign Mills from increased cost of expert supervision to the extent of 2-5ths of Rs. 1,88,013 or Rs. 11 a ton. To this must be added the decreased efficiency of Indian compared with European labour, and assuming the outturn of 540 tons monthly with Indian labour, would be 640 tons with European labour, the decrease in efficiency might be taken at 15 per cent. of the standing charges of Rs. 180 or Rs. 27 per ton.

Thus the disadvantages on the question of duty, supervision and efficiency amount to Rs. 45 a ton. This sum added to the c.i.f. costs of foreign paper would show a c.i.f. cost, excluding duty, on foreign paper at Rs. 503 a ton for White Printing and Rs. 531 a ton for Cream Laid against Indian costs of Rs. 525 and Rs. 560 respectively.

Allowing for an anticipated future 10 per cent. reduction in costs, our papers would then compare with foreign costs as follows :—

	Foreign.	
	Ra.	Rs.
White Printing	473	503
Cream Wove	504	531

Thus our present total disadvantages are :—

	White Prtg. Cream Wove.	
Lack of expected efficiency in cost of chemicals and materials	52·8	56
Duty	7	7
Expert supervision	11	11
Decreased efficiency Indian labour	27	27
	<hr/> 97·8	<hr/> 101
While 25 per cent. on foreign papers would be	114	121

From these figures it appears that a 25 per cent. protective duty should enable Indian Mills to meet present foreign competition, and should just about counter-balance the disadvantages of the Indian Manufacturer. Whether foreign papers can be still further reduced in price is a point on which we cannot offer evidence, but in view of the fact that English Mills are generally having difficulty in covering expenses and that Continental paper is being imported at lower than English prices, it seems probable that foreign papers are unlikely to sell at very much lower prices than at present.

(viii) *Messrs. John Dickinson & Co.*—This Company's representation to the Board came to our hands, as it had been sent to all their Branches with the purpose set forth in the following paragraph from their covering letter :—

“We believe, as you will find, that this covers the ground fairly extensively, and hope that you will be able to make use of the thesis in connection with any paper agitation or protest through the Indian dealers, which you may be able to arrange.”

We may mention that their representation and covering letter has been fairly widely circulated and the above extract affords explanation for their statements, several of which are so inaccurate that we avail ourselves of your permission to comment on them.

In paragraph 4 *Messrs. John Dickinson* claim that a protective duty would penalise areas situated remote from the place of manufacture, but in paragraph 14 they state that owing to cheap sales by Indian Mills “in consequence practically no competitive imported paper is found in these markets.” In our experience, neither paragraph is correct.

In paragraph 6 it is suggested that the cost of paper places it beyond the pocket of 90 per cent. of the people whose consumption, based on three hundred millions, is considered to be half a pound per head. How far the consumption is affected by cost, we need not labour, for conditions in various countries, social, hygienic and educational, make a comparison valueless.

In so far as No. 7 is concerned, we emphatically protest against the inference that the difference in the cost of indigenous and Continental paper is such as to effect the bankruptcy of newspapers, whose paper bills must be compared to their total revenues, it being a generally accepted fact that many papers have sold their issues profitably at a lower cost than the cost of the paper alone. Similarly the duty on paper is a very small item in the cost of education and not such as to press heavily on the population.

Paragraph 8 of Messrs. John Dickinson's letter contains what we can only term a deliberate mis-statement, for they are perfectly well aware that Indian Mills have for many years supplied the major requirements of the Government of India.

Paragraphs 13 and 15. These comments are characterised by an ignorance which in view of the figures laid before you as to our Capital, etc., require no traversing from us, but we would wish to emphasise particularly the following remark in 15 :—"Such enterprises....as are run in the interests of the owners, are showing excellent results." This paragraph although we doubt if Messrs. John Dickinson have any substantial information to base their opinion on, is an interesting indication of the possibilities of paper making in this country.

With reference to the concluding remarks from paragraph 16 onwards, our tendered evidence has dealt with, and we only have to add that in spite of the stated fact "that the general situation in the paper trade universally is most precarious and in the last 12 months about half a dozen British Concerns have had to close down," yet Messrs. John Dickinson and other English Exporters have been dealing in Continental paper at lower rates than those obtainable from English Mills.

It is against competition such as is indicated in Messrs. John Dickinson's concluding paragraph, assisted by a collapse of foreign exchanges, that we ask for protection of an indigenous industry supplying 35 per cent. of the country's requirements, with possibilities of great expansion.

Statement III.—Letter, dated 30th August 1924, submitted by the India Paper Pulp Company, Limited, and endorsed by the Bengal Paper Mill Company.

See statement VII of the India Paper Pulp Company, Limited.



Statement IV.—Further statements submitted by the Bengal Paper Mill Company, Limited, dated 28th August 1924.

We have to acknowledge receipt of your No. 737 of the 21st ultimo, and in reply have to state that we are quite agreeable to the publication of the figures you sent us, and which we herewith return.



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NO. I.

	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913
—										
Distributable profit	23,657	27,641	65,128	58,643	46,183	56,214	70,354	88,256	59,671	39,377
Preference dividend	...	...	34,912	27,965	14,000	14,000	14,000	14,000	14,000	14,000
Ordinary dividend	...	...	8,000	25,333	32,000	24,000	24,000	24,000	24,000	24,000
TOTAL DIVIDENDS	...	...	42,912	53,298	46,000	38,000	38,000	38,000	38,000	38,000
Dividend equalization	...	...	...	...	...	...	...	...	...	...
Reserves	...	...	20,000	10,000	...	...	...	370	...	...
Debenture redemption	...	...	...	...	...	20,000	30,000	50,000	20,000	...
TOTAL DISTRIBUTED	...	...	62,912	63,298	46,000	58,000	68,000	88,370	58,000	38,000

	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923
Distributable profit .	35,403	80,650	3,38,828	8,24,157	9,72,553	9,86,161	8,00,314	2,33,668	1,9,546	—20 759
Preference dividend .	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Ordinary dividend .	24,000	32,000	40,000	2,60,000	3,12,000	3,12,000	3,12,000	2,25,000	nil	nil
TOTAL DIVIDENDS	38,000	46,000	54,000	2,74,000	3,28,000	3,26,000	3,26,000	2,39,000	14,000	14,000
Dividend equalization .	...	...	...	...	...	...	1,00,000	...	...	...
Reserves .	...	30,000	2,84,933	4,22,683	2,52,938	6,31,250	4,40,483	1,50,000	...	...
Debenture redemption .	...	...	...	...	50,000	1,00,000	...	...	...	...
TOTAL DISTRIBUTED	38,000	76,000	3,38,933	6,96,683	6,28,938	10,57,250	8,66,433	3,89,000	14,000	14,000

NO. II.

	Rs.
Total nett distributable profit during 20 years .	46,29,149
Total dividends during the same period .	19,89,210
Total allotments to reserves, debenture redemption, and equalization of dividends funds .	26,12,607
Total amount distributed .	46,01,817



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Statement V.—Further supplementary statements submitted by the Bengal Paper Mill Company, Limited, with their letter, dated the 7th November 1924.

In continuation of our letter of the 17th ultimo, we now have pleasure in sending you the balance of the information promised you.

1. We regret we have no recent figure as to the approximate cost that would have to be incurred by the Company for plant in connection with the proposed Cuttack Bamboo Mill Scheme. Owing to the critical condition of the paper-making industry in this country, it is at present impossible for this Company to contemplate any new Pulp Mill, and as it is possible that the India Paper Pulp Company, Limited, have given, in their evidence, figures which may be taken as a guide to present day prices of plant, we trust further information will be unnecessary.

2. The approximate monthly coal consumption is as follows:—

For power	2,000 tons monthly.
For process including boiling	1,500 tons monthly.
For soda recovery plant	275 tons monthly.

3. The nett maximum price received for white printing paper was Rs. 565 per ton.

The nett minimum price received for white printing paper was Rs. 530 per ton.

4. The average nett price realised in 1923 for all quantities was Rs. 545 per ton.

5. The balance sheets for the Company are sent herewith.

6. The amount of Managing Agent's commission since the reorganisation of the Company in 1904 was shown in the statement sent to you on the 23rd July and acknowledged by you on 21st August.

7. On the Company's production of 1923, the enhanced duty of 10 per cent. on the present custom schedule values of paper (if secured from the purchaser), would represent an additional income to the Company of approximately 3 lakhs per annum. It is not thought, however, that it would be possible to increase Indian mill prices to the extent of the additional protection asked for, but with less imported competition it will mean that the off-take of Indian mills' production will be easier, this giving relief to the industry, in stock and manufacturing charges. The high exchange which at the moment is roughly an increase of $12\frac{1}{2}$ per cent. on the normal exchange of 1s. 4d. leave the paper mill industry now with an import duty on foreign paper of only $2\frac{1}{2}$ per cent.

Statement VI.—Further Statements submitted by the Bengal Paper Mill Company, Limited, on the 13th December 1924.

As promised, we have pleasure in sending you (1) a statement showing the final cost to the importer of the various qualities of paper coming into this market. In another statement (2) we give you comparisons between the Bengal mills costs and the importers' costs. Finally, the comparison between the Bengal mills gross costs and the gross selling price.

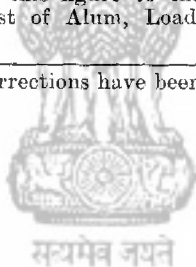
We trust this statement will supply the information you are calling for.

With regard to the figures given by us on page 126 of the published evidence of the Tariff Board, we would point out an error in the figures supplied by us with reference to the comparisons of freights payable at mills situated in the grass fields and mills situated in the coalfields. The figures for mills situated at Raneegunj should read as follows* :—

	Rs.	A.	P.
1½ tons of grass from Ramnagar at Rs. 13-13-1	20	11	7
1½ tons of grass from Goilkera at Rs. 9	13	8	0
6 tons of coal from Jherria-Raniganj at Rs. 1-8	9	0	0
TOTAL	43	3	7
	per ton of paper.		

With regard to your reference that the Statement "B" on page 110 did not agree with the figures given on page 125, item 3, auxiliary raw materials, we would point out that the amounts given in page 110 represent chemicals only, which compose only a part of the auxiliary raw materials used in paper manufacture. To bring up this figure to the total amount of Rs. 112-7-1, we have to include the cost of Alum, Loading, Colours, Jute, Rags and Wastepaper.

* The necessary corrections have been made in the figures.



STATEMENTS.



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STATEMENT

	C.I.F. Prices.	EXCHANGE.						Importers' charges.	Duty.	
		1s. 4d.		1s. 5d.		1s. 6d.				
		Ton	Ton	Ton	Ton	Ton	Ton			
<i>Printings—</i>	£ s.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	per cent	Rs. A. P.	
Ivory finish .	34 0	510 0 0	480 0 0	453 5 4	37 8 0	0 4 3 15%	= 89 4 0			
Machine finish .	34 0	510 0 0	480 0 0	453 5 4	37 8 0	„ „	= 89 4 0			
Wood Free ptgs.	31 0	495 0 0	437 10 4	413 5 4	37 8 0	„ „	= 89 4 0			
White printing .	28 0	420 0 0	395 4 8	373 5 4	37 8 0	„ „	= 89 4 0			
<i>Writings—</i>										
Cream Laid 1st.	40 0	600 0 0	564 11 3	533 5 4	37 8 0	0 4 6 „	= 94 8 0			
Do 2nd .	34 0	510 0 0	480 0 0	453 5 4	37 8 0	0 4 6 „	= 94 8 0			
Do 3rd .	29 0	435 0 0	409 6 7	386 10 8	37 8 0	0 4 0 „	= 84 0 0			
								Coloured News.		
Badami (Mech.)	18 0	270 0 0	254 1 10	240 0 0	37 8 0	0 2 6 15%	= 52 8 0			
<i>Wrappings—</i>										
Manilla .	24 0	360 0 0	338 13 2	320 0 0	37 8 0	0 3 3 „	= 68 4 0			
Kraft .	24 0	360 0 0	338 13 2	320 0 0	37 8 0	0 3 3 „	= 68 4 0			
Browns No. 1	15 0	225 0 0	211 12 2	200 0 0	37 8 0	0 3 3 „	= 68 4 0			
Mech. No. 2	11 0	165 0 0	155 4 8	146 10 8	37 8 0	0 3 3 „	= 68 4 0			
Overprint News	9 5	138 12 2	130 9 4	123 5 4	10 0 0	0 8 8 „	= 25 8 0			
<i>News—</i>										
Glazed .	20 0	300 0 0	282 5 7	266 10 8	37 8 0	0 2 3 „	= 47 4 0			
Rough, Thin .	18 0	270 0 0	254 1 10	240 0 0	37 8 0	0 2 3 „	= 47 4 0			
„ Thick .	20 0	300 0 0	282 5 7	266 10 8	37 8 0	0 2 3 „	= 47 4 0			
<i>Coloured News</i>										
Mech.—										
Thin .	28 0	420 0 0	395 4 8	373 5 4	37 8 0	0 2 6 „	= 52 8 0			
Thick .	22 0	330 0 0	310 9 4	293 5 4	37 8 0	0 2 6 „	= 52 8 0			
<i>Blottings—</i>										
Interleaving Thin	28 0	420 0 0	395 4 8	373 5 4	37 8 0	add „	= 67 8 0			
<i>Miscellaneous—</i>										
Acct. Book (White and Buff).	34 10	517 8 0	487 0 11	460 0 0	37 8 0	{ 0 4 6 „	= 94 8 0			
						{ 0 6 6 „	= 136 8 0			
Bank Paper .	36 10	547 8 0	515 4 8	485 10 8	37 8 0	0 6 6 „	= 136 8 0			
Art Paper .	56 0	840 0 0	790 9 4	746 10 8	37 8 0	0 6 6 „	= 136 8 0			
Straw Boards .	9 5	138 12 0	130 9 4	123 5 4	10 0 0	0 8 8 „	= 25 8 0			

A.

Free Delivered into Importer's godown including establish- ment charges.			Importers' cost per pound.			Selling price by importers.
Exchange.			Exchange.			
1s. 4d.	1s. 5d.	1s. 6d.	1s. 4d.	1s. 5d.	1s. 6d.	
Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
636 12 0	606 12 0	580 1 4	0 4 6	0 4 4	0 4 2	0 4 9
636 12 0	606 12 0	580 1 4	0 4 6	0 4 4	0 4 2	0 4 9
591 12 0	564 6 4	540 1 4	0 4 3	0 4 0½	0 3 10	0 4 6
556 12 0	522 3 4	500 1 4	0 3 11½	0 3 9	0 3 7½	0 4 3
732 0 0	696 11 8	665 5 4	0 5 3	0 5 0	0 4 9	0 5 0
642 0 0	612 0 0	585 5 4	0 4 7	0 4 5	0 4 2	0 4 9
567 0 0	541 6 7	518 10 8	0 4 1	0 3 10	0 3 8	0 4 1½
360 0 0	344 1 10	330 0 0	0 2 7	0 2 6	0 2 4½	0 2 9
465 12 0	444 9 2	425 12 0	0 3 4	0 3 2	0 3 0½	Rs. A. P. 0 3 6 to
465 12 0	444 9 2	425 12 0	0 3 4	0 3 2	0 3 0½	Rs. A. P. 0 4 0
330 12 0	317 8 2	305 12 0	0 2 4	0 2 3	0 2 2	0 3 3
270 12 0	261 0 8	252 6 8	0 1 11	0 1 10	0 1 9	0 3 0
174 4 2	166 1 4	158 13 4	0 1 3	0 1 2	0 1 1½ or Rs. 7-8 per cwt.	0 2 0
384 12 0	367 1 7	351 6 8	0 2 9	0 2 8	0 2 6	Rs. 8-8 per cwt. Rs. A. P. 0 2 6 to
354 12 0	338 13 10	324 12 0	0 2 6	0 2 5	0 2 4	0 2 9
384 12 0	367 1 7	351 6 8	0 2 9	0 2 8	0 2 6	0 2 6 to 0 2 9
510 0 0	485 4 8	463 5 4	0 3 8	0 3 6	0 3 4	0 3 9 to 0 4 0
420 0 0	400 9 4	383 5 4	0 3 0	0 2 10	0 2 8½	0 5 0 to 0 6 0
thick substance used as cover papers.						
525 0 0	500 4 8	478 5 4	0 3 9	0 3 7	0 3 5	0 4 6
649 8 0	619 0 11	592 0 0	0 4 8	0 4 5	0 4 3	} 0 5 0
691 8 0	661 0 11	634 0 0	0 4 11	0 4 9	0 4 6	
721 8 0	689 4 8	659 10 8	0 5 2	0 4 11	0 4 9		0 6 0
1014 0 0	964 9 4	920 10 8	0 7 3	0 6 11	0 6 6	0 8 6
174 4 0	166 1 4	158 13 4	0 1 3	0 1 2	0 1 1½ or Rs. 7-10 per cwt.	Rs. 10

STATEMENT
(I) Bengal Mills

	F.O.R. per ton.	Cost of distribution per ton.	Nett Cost Price.	Nett Import Prices	
				1-4	1-5
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Printing 1st	530 0 0	56 10 0	586 10 0	591 12 0	564 6 4
„ 2nd	530 0 0	56 10 0	586 10 0	556 12 0	522 3 4
Creamlaid 1st	560 0 0	56 10 0	616 10 0	642 0 0	612 0 0
„ 2nd	560 0 0	56 10 0	616 10 0	567 0 0	541 6 7
Badami	355 0 0	51 10 0	406 10 0	360 0 0	344 1 10
Brown	345 0 0	51 10 0	396 10 0	465 12 0	444 9 2
„ No. 1 Mech.	345 0 0	51 10 0	396 10 0	330 12 0	317 8 2
Blotting	600 0 0	60 10 0	660 10 0	525 0 0	500 0 0
Coloured Printing	600 0 0	60 10 0	660 10 0	420 0 0	400 9 4
Bank	660 0 0	60 10 0	720 10 0	721 8 0	689 4 8
Account Book Paper	555 0 0	56 10 0	611 10 0	649 8 0	619 0 11

Bengal Mills' Nett Cost calculations for Printings, Creamlaid

(2) *Selling price in Calcutta Bazar for Perfect Paper.*

	Nett Cost per ton.	10 per cent per ton for profit and depreciation.	Gross price per ton.	Calcutta Gross price per ton.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Printing	586 10 0	58 2 6	644 12 6	595 0 0
Creamlaid and Writings	616 10 0	61 10 6	678 4 6	612 8 0
Badami	406 10 0	43 9 0	450 3 0	472 8 0
Browns	396 10 0	39 10 0	436 4 0	402 8 0
Blotting	660 10 0	66 1 0	726 11 0	682 8 0
Coloured Printing	660 10 0	66 1 0	726 11 0	700 0 0
Banks	720 10 0	72 1 0	792 11 0	770 0 0
Account Books	611 10 0	61 2 6	672 12 6	595 0 0

B.

Costs.

per ton.	Rupees per ton difference between Import Cost Price and Bengal Mill Cost Price.			Percentage difference between Import Cost Price and Bengal Mill Cost Price.		
1-6	1-4	1-5	1-6	1-4	1-5	1-6
Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Per cent	Per cent	Per cent
540 1 4	+5 2 0	-22 3 8	-40 8 8	+1	-3.7	-8
500 1 4	-29 14 0	-64 6 8	-86 8 8	-4.9	-11	-14.8
585 5 4	+25 6 0	-4 10 0	-31 5 4	+4.1	-7.3	-5
518 10 8	-49 10 0	-75 3 5	-97 15 4	-8.1	-12.1	-15
330 0 0	-46 10 0	-62 8 2	-76 10 0	-11	-15.5	-18.8
425 12 0	+69 2 0	+47 15 2	+29 2 0	+17	+12.1	+7
305 12 0	-65 14 0	-79 1 10	-90 14 0	-16.7	-20	-23
478 5 4	-135 10 0	-160 10 0	-182 4 8	-20.6	-24	-27.6
383 5 4	-240 10 0	-260 0 5	-277 4 8	-36.3	-40	-42
659 10 8	+1 8 0	-31 5 4	-70 15 4		-4.4	-10
592 0 0	+37 14 0	+7 6 11	-19 10 0	+6.2	-1.2	-3.3

and Badami papers are based on our capacity outturn.

(3) Importers' Charges per ton of Paper.

	Per ton Rs. A. P.
Port and Landing dues	3 12 0
Sircar	0 6 0
Carting	2 10 0
Godown Stacking	0 12 0
Rent and Establishment 6 per cent	30 0 0
Total	37 8 0

(4) Bengal Mill Charges per ton.

	Rs. A. P.
Railway freight	4 10 0
Carting	2 0 0
Discounts to dealers, Banians and Brokers	50 0 0
Total	56 10 0

(5) Average gross manufacturing price Rs. 591-8-0 per ton.

Statement VII.—Further information submitted by the Bengal Paper Mill Company, Limited, on the 2nd January 1925.

We have the honour to draw your attention to a printing error that has occurred in the evidence published by the Tariff Board. On the 21st July we forwarded you a series of answers to the supplementary questions arising out of the oral examination at Simla. After sending in the statement, it was discovered that an error had been made with regard to the figures supplied against question No. 111, and on the 28th July we wrote to you pointing out the mistake and asking you to insert the corrected answer to supplementary question No. 111.

On looking through the printed evidence we find that the correct answer to the supplementary question No. 111 has been inserted on page 120, whereas the corrected particulars sent should have been placed against the evidence supplied on page 128. The particulars furnished by us on page 13 of our reply to your questionnaire should therefore appear on page 120. For your ready reference we attach a copy of our corrected answer to supplementary question No. 111, which should be shown on page 128.*

2. In connection with the details called for regarding "All other items, Head Office, Interest, etc." which we show as amounting to Rs. 21 per ton of paper in question No. 111, the following are the particulars:—

	Per ton.		
	Rs.	A.	P.
Head Office Staff	9	2	6
Auditors	0	3	6
Debenture and Bank interest	7	8	0
Directors' Fees	0	4	0
Managing Agents' Allowance	1	12	0
Advertising	0	8	0
Rent	1	2	0
Stationery and postage	0	8	0
TOTAL	21	0	0

3. In reply to the request for the nett average sale prices received during 1924, we give below the following figures:—

	Per ton.		
	Rs.	A.	P.
January-June 1924, average nett sale price	519	12	3
July-October 1924, average nett sale price	515	2	0

4. The price of coal in our calculation of Rs. 45 per ton of paper on page 128, has been taken at Rs. 7-8 per ton.

5. We estimate that a 10 per cent. profit per ton of paper would to-day yield Rs. 3,38,000 of which Rs. 1,28,000 is required for depreciation under the scale allowed by the income-tax authorities, and would leave a balance of Rs. 2,10,000. A 10 per cent. dividend on ordinary shares and 7 per cent. on preference shares would absorb Rs. 1,04,000, leaving the remainder for Managing Agents' and Assistants' Commission on profits, also reserve against depreciated stocks, etc.

6. The average manufacturing gross price per ton of paper (including a 10 per cent. per ton profit) for the entire output of the mill, based on the figures shown in our Statement "B" would be Rs. 591-8-0 per ton.

7. With regard to Form IV on page 125, we have again gone into the details given for 1923, and have to confirm that the primary raw materials of Rs. 102-3-9 represent grass, jute, rags, hemp and wastepaper only. Auxiliary raw materials of Rs. 112-1-7 represent value of chemicals, dyes and loading materials only.

* The necessary corrections have been made.

THE BENGAL PAPER MILL CO., LTD.

B.—ORAL.

Evidence of Mr. H. W. CARR recorded at Simla on 3rd July 1924.

President.—On page 1 of your representation you say that the full capacity of the Mill is about 700 tons per mensem: that comes to about 8,400 tons per annum.

Mr. Carr.—Yes.

President.—But I see the largest outturn you had for any one year was 6,600 tons.

Mr. Carr.—We have started a fourth machine since then. We bought the Gwalior Mill but could not run it at a profit owing to transport difficulties, and so removed the whole plant, with the Maharaja's approval, down to Ranigunge.

President.—When was this?

Mr. Carr.—End of 1922 we got it running.

President.—What was the full capacity of your plant at Ranigunge before that?

Mr. Carr.—About 7,000 tons.

President.—In answer to question 7 you say that the most important factors in selecting a site for a paper mill are water, coal and raw materials. Which is the most important?

Mr. Carr.—Water is the essential thing: then comes coal.

President.—I can understand that water is essential for it would be very expensive to bring water from several miles away. But what about coal? You use six tons of coal for a ton of paper as against three tons of raw materials. So the transport of coal must be a very important matter.

Mr. Carr.—Yes.

President.—Then it is of advantage to a paper mill to be near its coal? On the whole, you consider that you are favourably situated at Ranigunge?

Mr. Carr.—Yes, except for supervision.

President.—You are nearer your coal and raw materials than the Calcutta firms, but as against that you have got the freight on the finished paper to the Calcutta market?

Mr. Carr.—Yes.

President.—But it must be less than either the freight on the coal or the freight on the raw materials?

Mr. Carr.—Yes.

President.—Coming now to question 8, you have said in the letter forwarding your representation that you would like the answer to be treated as confidential. The information does not appear to be of any great importance.

Mr. Carr.—It might be useful for competitors to find out what paper we are going to make.

Mr. Ginwala.—They can always find out what paper you are making, but they may not find out the exact quantity you are making of each kind.

President.—I do not know whether we really care whether these percentages are published or not for it is only a subsidiary piece of information. Still, I should doubt myself whether it is worth while treating it as confidential.

Mr. Carr.—Big users may be influenced by the fact that this company manufactures only 34 per cent. of printings, whereas another mill makes 60 per cent. I prefer to treat it confidential, but I am not very strong on it. On the whole, if you prefer, I withdraw the 'confidential' there.

President.—I think the most important thing is what are the kinds of paper in which the Indian manufacturer has really an advantage. The second point is what are the kinds of paper in which he is so much at a disadvantage that he is not likely to make them.

Mr. Carr.—I am answering the latter point first. We are never likely to make newsprint. It is practically entirely made from mechanical wood pulp.

Mr. Ginwala.—Do you mean your factory or India as a whole?

Mr. Carr.—India as a whole. I do not see when Indian companies are going to make mechanical wood pulp.

Mr. Ginwala.—But the chemical pulp may become nearly as cheap?

Mr. Carr.—Experience is against that.

President.—Subject to the possibility of bamboo pulp being usable, you do not see any prospect of newsprint paper being made in India?

Mr. Carr.—No.

President.—Naturally we shall ask Messrs. Andrew Yule & Co., when they come, about the bamboo pulp. Are there any other kinds of paper of some importance which are not likely to be made in India? What I am thinking of is the more expensive kinds.

Mr. Carr.—Very high class varieties we cannot make here in India.

President.—Things like papers made from linen rags?

Mr. Carr.—No. We can make under present conditions a good printing paper which escapes competition of the cheapest Continental paper and in that we can compete against foreign manufacturers on a fair basis.

President.—Are there any of these papers that you have enumerated in which the Indian demand is supplied practically entirely from India,—where the imported paper hardly comes in?

Mr. Carr.—*Badami* is almost entirely Indian.

President.—In all the rest you are in competition with the foreign manufacturers?

Mr. Carr.—There is also the unbleached—the old Government war printing—where there is no competition.

President.—Do you supply “unbleached” to Government only, or is there any general sale for that kind of paper?

Mr. Carr.—No.

President.—The importance of this question lies on the fact that these two kinds, *badami* and unbleached, come to nearly half of your output.

Mr. Carr.—Yes.

President.—It is an important fact that in respect of half of your output you are not subject to foreign competition.

Mr. Carr.—Yes.

President.—And, therefore, I take it that the price in India is more or less governed by internal competition?

Mr. Carr.—Yes, to some extent because these qualities are not in direct competition with foreign paper.

President.—*Badami* paper and unbleached between them are 45 per cent. of your output, and the price of the foreign paper does not come in, so presumably it is governed by internal competition.

Mr. Carr.—The question of substitution then comes in. Anybody using *badami*, for instance, in the bazar would use any cheap foreign paper.

President.—Then in that case what kind of foreign paper would be substituted for *badami* or unbleached?

Mr. Carr.—Any cheap whites.

President.—How would these cheap whites that you are referring to compare in price with *badami*s or unbleached? Are there cheap white papers which are imported at the same price as you sell your *badami* or unbleached?

Mr. Carr.—It is pretty near that. They class it second class printing.

President.—Would not the cheap brown paper compete for wrapping purposes?

Mr. Carr.—Yes.

President.—So that these kinds of paper are subject to competition though not with papers of exactly the same kind?

Mr. Carr.—Yes.

President.—In answer to question 10 the information you give is in practice the Indian paper manufacturer finds that he is compelled to supply a considerable variety of different kinds of paper. Could you explain to us how that arises? Suppose you ceased to manufacture certain kinds of paper, would that involve you in difficulty?

Mr. Carr.—Under normal conditions—I do not call them normal at present—a man who is buying white paper will sometimes want some of our cheap *badami* with it, and he won't place the order with the firm for the indigenous whites without the *badami*.

Mr. Ginwala.—What is it due to?

Mr. Carr.—He likes the *badami*, and before the war we were supplying *badami* at cost or a little below cost. Then again competition was keen, and we have got to meet all his requirements. It is much the same way with Government. We take anything from Government rather than let it go Home. At the present moment we are taking losses on some of our paper rather than allow orders to go Home, because they are practically essential for our mills.

President.—The position simply is that, in order to meet the wishes of your customers, you have got to be able to supply a large variety of different papers?

Mr. Carr.—Yes.

President.—It stands to reason that that must tend to raise your costs.

Mr. Ginwala.—Who is this Indian Director?

Mr. Carr.—Rai Sahib Ishan Chandra Ghose.

Mr. Ginwala.—Is he a business man?

Mr. Carr.—He has not had a business career. He is on the Board of the "Equitable" Coal Company, and he is on several commercial undertakings now. He was the head of one of the colleges and he has been a shareholder for many years.

Mr. Ginwala.—As regards your answer to Question 7 is it not considered necessary for paper manufacture that the site should be in close proximity to the raw materials?

Mr. Carr.—The nearer the better.

Mr. Ginwala.—The tendency now is, so far as the manufacture of pulp is concerned, to have the pulp factory in very close proximity to the primary raw materials.

Mr. Carr.—Water carriage gives more cheaply the same advantage as we have in railway carriage.

Mr. Ginwala.—In your case that does not hold good?

Mr. Carr.—In our case for many years our big field of grass was Chota Nagpur which means only a small freight.

Mr. Ginwala.—That is pretty nearly exhausted?

Mr. Carr.—From the labour point of view difficulties have increased but not from less grass growing on it.

Mr. Ginwala.—You do not wish to say, that it is exhausted, but it has become unremunerative. My point is that, as you are situated just now, you cannot say you are in close proximity to your primary raw materials.

Mr. Carr.—I think we are. All along Bengal Nagpur Railway we get our grass. The Mill is 80 to 100 miles from Chakradharpur.

Mr. Ginwala.—So that you think that, so far as you are concerned, you are favourably situated as regards your raw materials?

Mr. Carr.—We think we are not unfavourably situated.

Mr. Ginwala.—Of course with regard to coal you are quite all right.

Mr. Carr.—We have got it under the Mill but we do not use it from there: we buy it from the Ranigunge fields.

Mr. Ginwala.—You use six tons or more of coal for one ton of finished paper and you may be using only three tons of grass, but the freight on the three tons of grass may be a good deal more than on the 6 tons of coal.

Mr. Carr.—I think it is about the same. I have not got the figures here

President.—Do you mean the same rate as per maund of grass as for coal?

Mr. Carr.—No. The cost of three tons of grass against 6 tons of coal. I will take a note of this and let you know* 25 per cent. of our coal we bring over a tram line we have just put down from a colliery in the next field not 800 yards away. We hope to make that 25 to 60 per cent. to save in freight.

Mr. Ginwala.—It is very difficult really to estimate the relative advantages of being nearer to coal than to raw materials?

Mr. Carr.—Yes. It is all a matter of balancing. You may be very near to your raw materials at some site in the Ramnagar field where all our grass could be secured but you would be hopelessly away from the coal.

Mr. Ginwala.—Do not you think it is cheaper to take your coal than to take your raw materials over a long distance? In most countries where they manufacture pulp on a large scale they generally make the pulp near the raw materials.

Mr. Carr.—In Austria and Germany they use water power for any big pulp factory. In Norway they are raising steam by water power.

Mr. Ginwala.—Ordinarily speaking it is very difficult to use only electric power for manufacturing pulp? You will have to have some steam?

Mr. Carr.—There is only one mill I have heard of raising steam by electric power.

Mr. Ginwala.—You may have very big electrodes and things like that to boil your water and that is not a practical proposition in all cases, so that you have got to have some means of generating some steam and, as I pointed out to you, manufacturers must find it cheaper and convenient to take the coal to the raw materials.

Mr. Carr.—We will take the longest lead of grass which is Ramnagar and our freight comes to approximately Rs. 0-8-6 a maund.

Mr. Ginwala.—It is nearly Rs. 14-8-0 a ton, taking 27 mds. for a ton.

Mr. Carr.—I will look that point again and send you information.*

Mr. Ginwala.—It is rather important to find out whether you are conveniently situated with reference to your raw materials. Even if your coal is cheap, as I pointed out to you, still you may be at a great disadvantage in other respects and you have got to show that you are not.

Mr. Carr.—I am not sure if it is not in the answer here.

Mr. Ginwala.—In answer to Question 20 you say that the freight on grass is Rs. 9 per ton, and in answer to Question 57 you show the freight on Ranigunge coal as 13½ annas. That is Rs. 5 against Rs. 27 on grass.

Mr. Carr.—What you say does come up. We pay less on our coal and more on our grass. But, of course, if we were taking the coal to the grass, the figures would look very different. Here we draw 15 miles, there we will draw 80.

Mr. Ginwala.—Yours is a kind of raw material which you do not have in any one place. You must have a very large radius for your supply?

Mr. Carr.—Yes.

Mr. Ginwala.—In answer to Question 8 you also show a small percentage of Blottings, Antique and Colours. That cannot be economically sound. It is too small a proportion, is it not?

Mr. Carr.—Take the Blottings—it is only a small quantity but we may make only 3 makings per annum and thus each making may be profitable.

* See Statement II (i).

Mr. Ginwala.—What is the smallest quantity that you can manufacture at a time without losing much over it?

Mr. Carr.—It is difficult to say.

Mr. Ginwala.—What is the smallest order that you can accept?

Mr. Carr.—About 3 tons.

Mr. Kale.—You say you follow the caustic soda process. What is the alternative process?

Mr. Carr.—I do not know of any other process on a big scale for grass.

Mr. Kale.—You think this is the most economical process?

Mr. Carr.—Yes.

II. RAW MATERIALS.

A.—Primary.

President.—I should like to begin by saying that I regard this as the most important section of the evidence, and I should like you to know from the start that you have not yet convinced me that all is for the best for your Company in the best of all possible worlds, as far as raw materials are concerned. I see that the quantity of grass you use is 6,500 tons annually, and of the other materials less than 5,000 tons.

Mr. Carr.—Yes.

President.—It is clear that grass is the most important. Has there been any change since the war in the proportions of the various materials you use?

Mr. Carr.—Since the war we have been using less grass.

President.—What are the reasons?

Mr. Carr.—I am not quite sure in which order to put them. Labour for collecting has been one of the most difficult, and shortage of railway wagons. Since the war we have been working up the grass supplies, and we have been using more in 1923 than in 1922 and we shall be using more in future; but the cost of labour has been rising tending to make it more expensive. The use of grass declined owing to the use of imported pulp being cheaper. That condition has been overtaken and we are using more grass. One reason why we were using less grass was that we were rebuilding the mill. We had to remove the whole of our grass boilers and the whole arrangement was upset for nearly 15 months.

President.—To what extent do you anticipate that this proportion will be altered?

Mr. Carr.—We expect to use about 3 lakhs of maunds of grass, that is about 12,000 tons.

President.—The point is this. At present you use 6,500 tons of grass to about 4,800 tons of other materials. When you get to what you regard as your normal condition of affairs the consumption of grass will go up and of the other materials will go down. What would be the amount of the transfer?

Mr. Carr.—The transfer would be about 1,300 tons from pulp to grass.

President.—At the end of your answer you say "The proportions of these materials have been largely dictated by the necessities of the situation rather than by selection." Could you amplify this statement and explain it to us?

Mr. Carr.—Industrial labour troubles have increased the necessity for pulp. We have had several partial strikes and we have had two or three full strikes, but in the partial strikes when grass boiling is shut down, if we have the bleached pulp, we can keep the mill running and thus save what is always a heavy loss—closing the mill. Then again, shipping, in a lesser degree, has not been so dependable as before the war, and the result was that we kept bleached pulp in reserve against delay in arrival of supplies that came out from Home. Again, after the war bleach went off in quality very much, and we often found that instead of using a 10 per cent. bleach to make white paper we had to use even 27 to 30 per cent. Then we sometimes ran short of bleach, and we would have been compelled to stop making white paper if we had no bleach to carry on, so that we have been using more bleached pulp than we would under normal conditions.

President.—Apart from these partial strikes to which you refer, has the use of imported pulp been rendered necessary by the conditions under which labour is now working as compared with the period before the war? During the last three or four years have the normal conditions under which labour has been working affected the use of imported pulp in any way?

Mr. Carr.—Labour has been working very much worse than before the war. They are now getting such high wages that they are not regular in attendance, and that again necessitates using some half prepared materials, such as pulp, instead of preparing it ourselves.

President.—Are things as bad as that? Has there been any improvement?

Mr. Carr.—I think they are improving a little.

President.—If it were a permanent state of affairs, it would be a permanent handicap to industries in India?

Mr. Carr.—I think all industries in India are suffering from the fact that wages have risen above the standard of living.

President.—I don't want to go any further on this point as it comes up later. Now, in answer to Questions 14 and 15 you give the quantities of raw materials required to make a ton of paper. I take it that, in each case, the assumption is that, if you made paper entirely out of grass, you would require 3 tons of grass, and similarly if you made paper entirely out of wood pulp, it would be 1·2 tons?

Mr. Carr.—That is our assumption in each case.

Mr. Givvala.—What percentage do you get out of waste paper?

Mr. Carr.—The best sort of white we get up to 55 per cent.

Mr. Givvala.—So that we have got to add that, have we not?

Mr. Carr.—We do not count waste paper as a raw material. It is a kind of filling. There is no strength in waste paper.

President.—How far are the papers you manufacture made of one kind of raw material only? Are the majority of them made out of a mixture of some kind?

Mr. Carr.—All are made of mixtures except *badami* and brown which are chiefly made out of jute.

President.—Are there any kinds of paper for which wood pulp is indispensable?

Mr. Carr.—Yes, there are one or two kinds.

President.—I mean kinds that you commonly make.

Mr. Carr.—Yes, they are high class typewriting and bank papers.

President.—And therefore for papers of that kind India is not so well equipped as other countries. What proportion of wood pulp is required in the case of these papers?

Mr. Carr.—I have not the knowledge to answer, but I think it is a large percentage.

President.—I mention that because my point here is that in respect of these kinds India seems to have no advantage.

Mr. Carr.—One or two kinds of paper we shall always require from Home.

President.—There is no possibility of India producing these?

Mr. Carr.—I don't think so.

President.—Can you tell us whether bamboo pulp would be equally suitable for these kinds of paper?

Mr. Carr.—I am afraid I don't know.

President.—What proportion of your grass do you draw from Chota Nagpur? There are two areas, one along the Bengal Nagpur Railway and the other along the East Indian through Gaya on to Palamau. These are two areas which are within easy reach of your factory. What proportion of your grass do you get from these areas?

Mr. Carr.—125,000 maunds from there as opposed to 75,000 maunds from Ramnagar, Nepal and other areas.

President.—What is the distance from the Mill to Ramnagar?

Mr. Carr.—About 700 miles.

President.—That is one of the points to which we drew your attention in the questionnaire. What it comes to is this. If you have to draw your supplies from 700 miles, it is difficult to see that in respect of your raw materials you have got any particular advantage?

Mr. Carr.—We hope to develop the nearer field and also we hope to get some from the Sahebgunge field.

President.—I regard this matter as very important, because it goes to the root of the whole case as far as making paper in India out of grass is concerned. What you have told us is that you ascribe the difficulty of getting adequate supplies from a reasonable distance, not to the disappearance of the grass, but to labour difficulties.

Mr. Carr.—Yes.

President.—The difficulty, I gather, of getting labour and also of getting labour cheap?

Mr. Carr.—Yes.

President.—This grass, I think, is to be found in thinly populated areas?

Mr. Carr.—I think so. I should rather say backward areas.

President.—If the population grows is it not likely that the grass may give way to cultivation? Does the grass grow on baddish land or does it grow on fairly good land?

Mr. Carr.—I don't know.

President.—Is it capable of cultivation?

Mr. Carr.—In Shahebgunge there is a fairly large population, but they do not seem to cultivate these areas.

President.—Well, it is for you to give the information. What occurred to me was this, that if I am right in suggesting that on the whole *Sabai* grass grows in abundance in areas where the population is not dense, and is apt to disappear as population increases, then this labour difficulty must be a permanent one, because the moment the labour supplies arrive on the spot and settle down, then the grass tends to vanish.

Mr. Carr.—Take the big areas of Ramnagar, we have to take our labour there to cut it.

President.—I take it malaria and other fever prevent people from settling there?

Mr. Carr.—Yes.

President.—I know the Terai in Bihar, and certainly there, where people succeed in settling down, cultivation increases and the grass tends to give way. The point that really arises there is that there must always be labour difficulty in the circumstances.

Mr. Carr.—I have never heard any contractor complaining that the area is shrinking from that reason.

President.—You have not?

Mr. Carr.—No.

President.—Taking your area at what it was in 1910-14 are you getting proportionately the same quantity of grass from Chota Nagpur as at that time?

Mr. Carr.—No, it was decreasing, and that was the reason why we took it out of the hands of our contractors who were underpaying the coolies, and we put a supervisor in. Since then our supplies have been increasing though of course the cost has increased somewhat.

President.—Proportionately you are getting actually more than you were getting in 1910-14?

Mr. Carr.—Yes.

President.—After the labour difficulties experienced during the last four years in the collection of grass, have you succeeded in reducing them at all?

Mr. Carr.—Steady payment brings in labour. The big iron works have come in, Tatas' works have come in, but there is always a percentage who prefer to cut grass, and these are the people whom we get.

President.—These works must affect your labour supply, and that is a definite reason why the cost of labour should go up. It is indeed surprising that it has not gone up ever more.

Mr. Carr.—Quite so.

President.—You say in answer to Question 19 "Royalty varies from Rs. 24 per ton of grass or Rs. 72 per ton of paper." I think that the words "Rs. 72 per ton of paper" are parenthetical.

Mr. Carr.—They are.

President.—You have got to pay a much higher royalty for the Ramnagar grass?

Mr. Carr.—We can reduce it by half.

President.—I don't follow.

Mr. Carr.—We pay so much royalty for the forest.

President.—It is not then fixed according to the quantity of grass extracted, but is rather a rent?

Mr. Carr.—We have a ten years' lease.

President.—So that the incidence per ton of grass depends on the amount you collect?

Mr. Carr.—Yes.

President.—In the letter with which you sent your representation you asked that the answer to Question 20 might be treated as confidential. The cost of raw materials is a vital question in our enquiry, because there is the doubt which has been suggested—and the suggestion has got to be met—that in respect of raw materials the industry has no advantage in India. Unless we can go fully into the figures giving the cost of raw materials, it is difficult to see how we can proceed at all.

Mr. Ginwala.—There is one other point in connection with this. The Government experts, Messrs. Raitt and Pearson, have very little faith in *sabai* grass as a raw material for the manufacture of pulp on a very large scale.

President.—That is to say, on the basis of grass they do not think the industry can develop very much, if at all.

Mr. Ginwala.—They also say it is not easy for these manufacturers who use grass at present to adapt their machinery to bamboo. That being the position, if you are not able to show from your figures that your raw materials are not as expensive as those who favour bamboo are trying to make out, your case is weakened.

Mr. Carr.—Of course it is rather difficult. We have not looked at it from that point of view. We have always got the grass we want.

President.—You are asking for protection on the basis that the Indian manufacturer is to command the whole of the Indian market, or at any rate 90 per cent. of it. He has got to treble his outturn. India is now producing over 30,000 tons and eventually may produce 90,000 tons. On that basis it has got to be shown where the material for making that extra 60,000 ton is going to come from. The question is, can it come from grass?

Mr. Carr.—I should say no. India does not want 90,000 tons of grass paper.

President.—You have not attempted to show that paper can be manufactured from bamboo pulp. Let me put it this way. Do you think that the supply of grass required exists, and that it can be obtained at a reasonable cost if there is any considerable expansion of the production of paper made in India?

Mr. Carr.—I think so.

President.—It does not seem to be fully established by your answers.

Mr. Ginwala.—There is another point which I would like you to consider and that is this. Of course we are not in a position to say what the real

situation is at present, but there is a case made out against the manufacture of paper out of *sabai* grass which you are using. Apart from the question whether the industry can expand if it confined itself to the use of *sabai* grass as its primary raw material, there is the question whether the cost of the raw material, even if the manufacture was confined to its present limits would not go up.

Mr. Carr.—Quite.

Mr. Ginwala.—There is a case put forward against you that the cost of the raw materials is constantly going up. Therefore, apart from the question of any expansion of the industry, it would not pay the paper manufacturer later on, or the country, to manufacture paper out of *sabai* grass. That is the case which you have got to meet and, unless you can show from your figures that that part of the case does not hold good against you, our difficulties and yours will become very much greater.

Mr. Carr.—Our request for protection is not designed to build up the industry.

President.—You have got to make out your case in accordance with the principles laid down by the Fiscal Commission. We are not at liberty to range over the whole fiscal field.

Mr. Carr.—The case which we have been putting to you is that the paper mills out here have proved an absolute necessity for India in times of stress and that we want to be protected from unfair competition, not fair competition.

President.—I don't think that you have made out a very strong case on the ground of national necessity. I think that the primary question we have got to consider is how far your industry satisfies the conditions laid down by the Fiscal Commission. I don't say that there is nothing to be said on national grounds, but personally I don't rate it very high.

Mr. Carr.—Not now, but during the war time it was estimated more highly.

Mr. Ginwala.—It is very important that the public, by which we mean the Government of India and the Legislative Assembly, should have the fullest possible information on this point, *viz.*, the question of the raw materials, because a good deal has been stated in that respect against the paper industry at present. So far as the bamboo proposition is concerned, there is a good deal of official evidence—of course we do not know how far the commercial world accept it. Supposing the bamboo pulp people also insist upon keeping their information confidential and you do the same thing, and a member of the Legislative Assembly gets up and says "Here is the official estimate. The cost of producing bamboo pulp according to it is Rs. 165 a ton. Therefore the paper may cost about Rs. 300 a ton. How is it that on these figures any protection is recommended?" If we recommend protection for this industry, you have got to show that these figures, which are public property, are not correct. You can only do that by showing what your figures are in actual experience. I leave it entirely to you. But I must point out to you that you will gravely prejudice your case, if you don't repudiate the case against you by publishing your figures.

Mr. Carr.—I did not realise that they would be of so much importance.

Mr. Ginwala.—We shall have to ask for a good many more figures. The first point we are trying to fix up is the question of publicity.

President.—The availability of your raw materials has been questioned. What it costs you to get these raw materials is an absolutely vital point.

Mr. Carr.—Yes, but if competitors who are buying rags find out what we are paying for them they are assisted considerably.

President.—Rags are, so to speak, secondary raw materials, secondary in the sense that they are not natural products except at a remove. If that would make any difference, we might say that grass is the material of which we are most anxious to ascertain the cost.

Mr. Carr.—In that case, I don't mind.

President.—As regards the other materials, we could say in our Report that from the figures given by the various firms the following figures may be taken as the cost at which they can be purchased, without giving details. But as regards grass we would like to give full details.

Mr. Carr.—I think that our grass cost is pretty well known. May I answer the question put to me just before about the availability of grass? I cannot of course answer this question with much exactitude. Our requirements are mentioned in this statement. I can only say that we have had no difficulty in getting our full requirements on the score of availability.

President.—One of the reasons why you used more pulp and less grass recently was just that difficulty.

Mr. Carr.—Not the availability.

President.—Availability includes the possibility of getting your labour cheap. If you cannot get people to bring it to you, you cannot say that it is available.

Mr. Carr.—On that basis, nobody has proved the availability of getting bamboo pulp.

President.—That point will come up in connection with bamboo also, but there is this difference. Surely as regards bamboo, the question still remains to be decided by practical experiments, but in the case of grass the experiment has been going on for nearly 40 years and it is time that some sort of a decision is arrived at.

Mr. Carr.—I can only say that we can get our requirements. We know where we can find all that we want. One year famine will come in; another year visitors will come out shooting. Anything like this upsets the whole arrangement.

President.—If the whole industry is liable to be hung up by the tours of distinguished cold-weather visitors, it must be in a somewhat precarious position.

Mr. Carr.—When any one goes out shooting in a forest, you know how it absolutely upsets the supply of labour.

Mr. Ginwala.—When we use the term "available" we don't mean "obtainable." What we mean is "commercially available."

Mr. Carr.—It is commercially available. We have no difficulty in getting it.

Mr. Ginwala.—What we want to know is whether it is capable of being used for commercial purposes. What is the good of a thing being available at £200 when you can only afford to pay £20. We are not concerned with the total quantity at a price that there is in India. What we are concerned with is how much of that you can commercially use without making it too expensive.

Mr. Carr.—We can commercially obtain it as far as we can foresee.

President.—In order to provide all your requirements, you have got to get your supplies from a place which is 700 miles away from your works.

Mr. Carr.—Yes, at the moment.

President.—In view of what we said at the beginning of the examination of the importance of being near the coal supply, it seems likely that, even if a new mill established in this country used water power, it would still require a certain amount of coal, would it not?

Mr. Carr.—You would have to use a certain amount of coal.

President.—Then it would have to be started somewhere within two or three hundred miles from the coalfields, that is to say it would have to go a pretty long way for its grass?

Mr. Carr.—Yes.

President.—That is where the difficulty comes in, so far as the expansion of the industry in respect of grass is concerned.

Mr. Kale.—You say that to-day, so far as you are concerned, you can buy your grass on a commercial basis, but the future expansion of the industry will lead other firms to extend their requirements. Suppose other firms cut

into your supplies, it may not be possible for you to buy your grass on a commercial basis?

Mr. Carr.—Every protection transfers competition from abroad to inside the country.

Mr. Kale.—Quite so. You admit that there will be internal competition?

Mr. Carr.—I do.

Mr. Kale.—That means that your prices will be raised and then it will no longer be possible for you to have your grass?

Mr. Carr.—Supplies will also increase as competition increases.

Mr. Kale.—How will the supply increase? On the other hand, the supply will become less when competing firms come into the field.

Mr. Carr.—I know of four or five forests which are not being cut which are much nearer Calcutta—say within 250 miles from Calcutta—but we have an expensive lease of Ramnagar and we simply cannot afford to neglect it. Otherwise we would be cutting our grass nearer.

Mr. Kale.—You will have to show that there are forests which have not been exploited, and that in that way potential supplies of grass can be increased. Can you demonstrate that your potential supplies are much nearer your factory and that they are likely to be developed, so that, in spite of the expansion of the other firms, you will have no difficulty in getting your supplies?

Mr. Carr.—I cannot prove that. Our belief in it is manifest in the fact that we have put in more machinery for using grass.

Mr. Kale.—It is not a question of mere faith. It is a question of a demonstrable proposition. Where are the forests which are not exploited where you can go?

Mr. Carr.—In Chota Nagpur and several Native States in Bihar and Orissa we have large quantities available. Of course we make our own arrangements, as far as we can, so that if anybody does come in for the supply of grass, it won't affect us for the next few years. We have got leases.

President.—It is for you to establish these things. There is nothing in your written representation about the existence of unexploited forests within a reasonable distance from the coal fields. I don't think, if I may say so, that the paper manufacturers generally quite realise that there is something which is up to them to prove and which cannot be assumed, and that is why we did our best to draw your attention pointedly to what has been suggested against your case, so as to give you an opportunity of saying what you have to say.

Mr. Carr.—This point has been met by us in our own individual case and, if I may say so, you are asking more on the question of the industry as a whole.

President.—It is not from that point of view I am asking. It is quite open to you or the Titaghur Mills or the Papermakers' Association to reply to that, but still each paper manufacturer should tell us all he can about that. Unless he can persuade us on that point, he may be unsuccessful.

Mr. Carr.—Quite.

President.—In answer to Question 24, you say that your records do not permit you to answer this question. I quite recognise that it may be difficult for you to give all the figures we wanted. Can you give the figures at least for one pre-war year and one recent year?

Mr. Carr.—I cannot give you the figures but we have to get them from our contractors. Supposing I say we draw ten thousand maunds more from one contractor at Chota Nagpur, it will not be possible to say from which forest he has drawn this additional supply. There are about 20 or 30 forests in that area.

President.—If you could give us the actual quantities taken from each area for one pre-war year and for one post-war year, it would be useful.

Mr. Carr.—Yes, I can give you for several years if you like.

President.—In reply to Question 26, you say “the supply of grass is largely dependent upon labour and transport; eliminating these two factors there has never been a time when ample grass has not been available.” You cannot eliminate these factors. Without transport, no grass will be available. You say in the same answer “we look upon the supply of suitable paper making material in India as unlimited.” In a certain sense, it is unlimited—it is almost obvious—but the quantity that can be made commercially available is by no means unlimited. On the contrary it is restricted. It is precisely the question which has got to be cleared up.

Mr. Carr.—Can it be demonstrated till the materials are wanted?

President.—Paper has been made in India for the last 40 years, and by this time it seems reasonable that the question should have been cleared up to a large extent, so far as grass is concerned.

Then in reply to Question 31 you say “we know of no grass in India that can in any way compare with *sabai* for making papers comparable to Esparto papers.” Have you actually tried any of these grasses? Have you made experiments in your mills?

Mr. Carr.—We have tried some. The Titaghar Mills have tried far more. Government figures show that.

President.—As far as you can judge, if paper making cannot be made a success with *sabai* grass, it cannot be done with any other grass?

Mr. Carr.—No, not Esparto paper.

President.—In your answer to Question 35 you say that freight concessions from the railway are under consideration. Is this the freight on grass you are speaking of?

Mr. Carr.—Yes. We have just got some concession from the 1st of June.

President.—Has it been sanctioned?

Mr. Carr.—Yes.

President.—Could you tell us what it amounts to?

Mr. Carr.—I am afraid I could not tell you.

President.—Have you not got the information here?

Mr. Carr.—I could give it to you but the other firm has given it.

President.—If one firm has given it, it is enough for our purpose. I suppose that you have not got any information as to the freight that the foreign producer has to pay on his raw materials. What I am thinking of is this. Take a paper mill in England which is making Esparto grass paper. Where would it get the Esparto grass from?

Mr. Carr.—From Northern Africa or Spain.

President.—Have you any idea of the freight that the British mill would have to pay on its grass?

Mr. Carr.—I could not tell you. But the cost of Esparto grass is £6-10-0 per ton.

President.—That is the cost at the mill?

Mr. Carr.—Yes.

Mr. Girdwala.—You gave evidence before the Fiscal Commission and Sir Willoughby Carey and you made certain statements before it. I want to know whether you have changed your views since then on some of those points.

Mr. Carr.—Do you mean in regard to raw materials?

Mr. Girdwala.—Yes, with regard to the availability of raw materials. It is very important because you and Sir Willoughby Carey gave evidence together:—

“Q. You say that this country has a sufficient quantity of raw materials. Would that apply to your most important raw materials? A. (Mr. Carr). There are many kinds of material. Q. At the present moment, would it apply to the grass that you use, is it sufficient? A. Probably not. Q. You would have to go to other alternatives? A. Yes. Q. Possibly such as bamboos? A. Yes.”

* See Statement II (iv).

Mr. Carr.—That I have said to-day. I have not gone back.

Mr. Ginwala.—It is not a question of your going back. I am not putting that for that purpose. It is necessary that you should explain because somebody else may bring it up. What you were saying was that probably there was not sufficient supply of the kind of raw material you are using.

Mr. Carr.—I say the same to-day. But my evidence is perfectly valueless by the side of Mr. Raitt's or Mr. Pearson's. They know about all the forests. I have not looked for any beyond what we require.

Mr. Ginwala.—We are now considering the possibility of *sabai* grass.

Mr. Carr.—May I go one step further? If we make much more good white *sabai* grass paper now, I don't think that we can sell it.

President.—In order to make it quite clear what that answer means, I want to ask you this. Supposing the importation of foreign paper were prohibited, there may be two reasons why you could not increase your sales beyond a certain limit you might be unable to transport the paper to the more distant markets and sell it at a price at which people would buy. Is that what you mean, or is it that the demand for the kinds of paper which can be made from grass would be completely supplied?

Mr. Carr.—Both.

President.—Mere price is another question. Your request for protection means that you want to get into the more distant markets where you cannot compete at the present price. If the total demand in India for the kind of paper that is made from grass is to-day nearly supplied by the Indian mills, it is quite a different thing.

Mr. Carr.—Yes. When I answered the other question, what was in my mind was that there was not an unlimited demand in India for the kind of paper made from grass.

Mr. Ginwala.—Grass makes a better class of paper for which there is not an unlimited demand?

Mr. Carr.—That is so.

President.—I am quite willing to admit that. Supposing the total demand in India was about 25,000 tons it might be quite possible that there would be ample *sabai* grass to make that quantity, but there might be very little room for expansion because you may have already reached 20,000 out of the 25,000. I am taking purely arbitrary figures.

Mr. Carr.—Yes.

Mr. Ginwala.—The position has changed since you gave evidence before the Fiscal Commission, before which you said:

“Q.—Is your wood pulp imported from abroad or your raw material from India cheaper?

A.—The cost of grass which is the main staple here, has now risen so much that wood pulp to-day is almost on a parity with grass in India.

Q.—That is to say, as delivered at the works.

A.—You can get paper from imported pulp almost as cheaply as you can from Indian grass. That is so just at the present moment, because grass has increased very much in price.”

Mr. Carr.—It has changed. There is very little difference at the present moment between imported pulp and grass from our farthest fields but the average cost of grass makes grass the cheaper material.

Mr. Ginwala.—You say you could get your paper from imported wood pulp almost as cheap because the grass has increased very much in price. Therefore, I take it, the position has changed slightly since then.

Mr. Carr.—Changed considerably in our fields. We are opening entirely new forests 200 miles away. Actually in the past two years we have reduced our cost on our distant field by 4 annas per maund the year before last and three annas and some pies last year.

Mr. Ginwala.—You say further down “With the increase of railway freight and the fact that we have to go further afield for our grass requirements, we have to pay very high rates for collecting grass now. I think both our mills are trying to get grass from the Punjab to Madras.” If that was the position then grass is more or less an impossible proposition commercially.

Mr. Carr.—We have not used those distant sources of supply since that time. As a matter of fact circumstances began to improve.

Mr. Ginwala.—Were you using more grass during the war than you are now?

Mr. Carr.—We did not use more grass: our outturn was down but a bigger percentage of grass was used, the total aggregate was not bigger.

President.—When did you say you opened that big field at Ramnagar?

Mr. Carr.—About 1919.

Mr. Ginwala.—Look at Question 13. We want to make a comparison: so we must reduce the figures to the same terms: that is to say, we should either take fibre or pulp. If I convert this grass of 6,500 tons into 2,200 tons of pulp it would be near enough?

Mr. Carr.—Yes.

Mr. Ginwala.—The quantities are nearly equal in these three groups:—

Grass	2,200
Pulp	2,500
Other stuff	2,250

very nearly the proportion is the same. The point is that you are able to use only $\frac{1}{3}$ of your natural raw materials for your total production. I mean pulp is imported, rags, jute and waste paper are only a limited quantity and you cannot say these are natural raw materials.

President.—And also it is doubtful whether you have any practical advantage in price. These are only waste.

Mr. Ginwala.—The point is that you are only able to use $\frac{1}{3}$ of grass.

Mr. Carr.—That is what we did and I have explained the reason.

Mr. Ginwala.—The position is that the natural raw materials are only $\frac{1}{3}$ of your total requirements of raw materials.

Mr. Carr.—I see your point: these rags, etc., are waste material.

Mr. Ginwala.—Its supply is limited.

Mr. Carr.—Hardly that, if you pay a fair price.

Mr. Ginwala.—It is not like grass or other things of which quantities are more in abundance. You may, no doubt, be able to get your rags at a price.

Mr. Carr.—I think we can treble our supply of rags and jute if we wanted them.

Mr. Ginwala.—You can. It is like this: in the steel industry you make castings from scrap but you cannot build a huge industry on it. The same thing applies to these rags and jute. You cannot make a big industry out of these in a country, whereas on the natural resources you may.

Mr. Carr.—Yes.

Mr. Ginwala.—With regard to the source of supply I want the following information:—The average rate of grass from each one of these fields and under that you can give these various headings we have asked for. Chota Nagpur is Rs. 56-4-0.

Mr. Carr.—That is the average cost for our grass.

President.—If you can give us royalty, freight, etc., of the other fields it would be useful.

Mr. Carr.—Chota Nagpur—Rs. 1-4-0 per maund into our godown; Ramnagar—Rs. 2-7-0 per maund into our godown.

Mr. Ginwala.—You have got these separate fields: can you give them

separately in the form in which we have asked for them.

Mr. Carr.—Yes.*

Mr. Ginwala.—Then I want you to give what total quantities you get from each one of these fields and the total quantities available in each.

Mr. Carr.—Yes.

Mr. Ginwala.—May we take it that Rs. 56-4-0 is the average price of your grass?

President.—It must be higher as the average freight must be higher than that. You can give the average.

Mr. Carr.—Yes.

Mr. Ginwala.—You have got a lease for ten years. Does it apply to all your fields?

Mr. Carr.—Yes.

Mr. Ginwala.—Is it not a short period? Is there no option?

Mr. Carr.—Not in the case of the Chota Nagpur field, and we hope to get a lower price next time.

Mr. Ginwala.—With regard to the other raw materials, rags, jute, hemp and other things, what is the agency by which you get them?

Mr. Carr.—Contractors.

Mr. Ginwala.—Have you fixed rates for them?

Mr. Carr.—Yes.

Mr. Ginwala.—It is their business to go and get rags?

Mr. Carr.—There are men who supply rags to Titaghur and to our Company. We have special men for hemp. They collect very good materials, and they are paid on contract rates.

Mr. Ginwala.—You say that, so far as you are concerned, they will always be available in reasonable quantities and at reasonable prices?

Mr. Carr.—I think so.

Mr. Ginwala.—This royalty of Rs. 24 a ton for grass, is not that a very big amount?

Mr. Carr.—Very high; that is on 75,000 maunds output. If we take what we could get on the full output we would get it at $\frac{1}{2}$ the figure.

Mr. Ginwala.—Then your freight will go up compared to your Chota Nagpur field. You are afraid it will go up, so that you would not necessarily bring the cost down?

Mr. Carr.—We do not want more from Ramnagar as we want to get it from a cheaper field.

Mr. Ginwala.—Do you expect your cheaper field to supply all your requirements?

Mr. Carr.—The present field that we are using—"no," but the other fields mentioned—"yes." We can get 300,000 maunds from the cheaper fields.

Mr. Ginwala.—Do you expect to get it? How long will it take before you get the whole quantity?

Mr. Carr.—I am rather waiting to get out of the Ramnagar lease.

Mr. Ginwala.—When does the lease expire?

Mr. Carr.—I think it has got 7 years to run.

Mr. Ginwala.—What is the royalty you have got to pay on the Ramnagar field? It does seem a very heavy figure.

Mr. Carr.—I shall find it out. The Ramnagar people actually did not want us particularly to take the grass, but we wanted to get the grass at the time, and we have had to pay for it. The Forest Department make more money out of the timber.

Mr. Ginwala.—Are these restrictions referred to in your answer to Question 21 imposed by the Forest Department, or are they natural restrictions?

* See Statement II (iii).

Mr. Carr.—The Forest Department. I think one of their fears is fire if people go in and collect grasses.

Mr. Ginwala.—What is the period of collection for you?

Mr. Carr.—We can begin as early as we like. We begin early in November.

Mr. Ginwala.—You have got just about six months, that means?

Mr. Carr.—Yes.

Mr. Ginwala.—You have to stock your grass?

Mr. Carr.—We would like to bring it to the mills when we get wagons.

Mr. Ginwala.—It is unfortunate that your season corresponds with the busy season of the railways. If you had the monsoon to collect the grass it would be an advantage.

Mr. Carr.—We try to take advantage of monsoon conditions by stocking in the despatching centres.

Mr. Ginwala.—You could not cut it in the monsoon?

Mr. Carr.—We cut it in the hot weather and stock it at the stations.

Mr. Ginwala.—Stations are 20 to 25 miles from the fields on an average?

Mr. Carr.—It would be 15 miles probably.

President.—You have said that it never exceeds 25 miles.

Mr. Ginwala.—That 25 miles I suppose you transport by cart or coolies?

Mr. Carr.—Bullock carts in Chota Nagpur.

Mr. Ginwala.—In these figures we have asked for will you include the cost at which you have to carry your stuff from the fields to the despatching stations?

Mr. Carr.—We may be able to get these charges from the contractors. I shall give you full details we can get for the grass.*

Mr. Ginwala.—It is really a disadvantage that you have to collect your raw materials in one half of the year.

President.—It might be the same with Esparto grass. I do not know the seasons in Africa.

Mr. Carr.—Every agriculturist would have to do it. It would not be growing all the year.

Mr. Ginwala.—With regard to bamboo the position is somewhat the reverse: they cut the bamboo, but they cannot sometimes float it in the dry season?

Mr. Carr.—Yes.

Mr. Ginwala.—In your case there is not much difference between your raw materials except waste papers. If you have got an abundance of raw materials, why should not you use the raw materials from which you get the best yield?

Mr. Carr.—You have got to make a proper mixture to get your papers right. You can only put in a certain amount of rags in white paper. Grass only would come up to 90 per cent.

Mr. Ginwala.—You cannot manufacture paper except by a mixture of these materials?

Mr. Carr.—I do not know that any paper is made from one raw material only other than wood pulp. The newsprint paper manufacturers at home must have some sulphite pulp.

Mr. Ginwala.—So that your point is that, even though the yield is better from hemp and jute and the price is not unfavourable, you cannot make use of them to the exclusion of grass.

Mr. Carr.—No. It is the better yield of the *sabai* grass which makes it more suitable than other grasses.

Mr. Ginwala.—Your *sabai* grass has not got as much yield as Esparto.

Mr. Carr.—No. It is as 33 against 42.

* See Statement II (iii).

Mr. Ginwala.—With regard to bamboo I think you have seen this report of Mr. Raitt on Cuttack?

Mr. Carr.—I have been down there myself.

Mr. Ginwala.—It is of some importance because he refers to the delivery of this pulp at Ranigunge. Yours is the only mill there. Do you consider that that is a good commercial proposition?

Mr. Carr.—I do. We believe there is a tremendous future for paper pulp here and we believe there are certain difficulties in connection with it, which will cost a good deal. We have no money at the moment to tackle it: other people are tackling it and, as in other things, the pioneers will be followed by a great many others.

Mr. Ginwala.—Speaking generally, do you agree with other recommendations with regard to the manufacture of pulp in Cuttack. It is the nearest place from your point of view.

Mr. Carr.—It is an excellent site for a mill.

Mr. Ginwala.—What he suggests is that you should manufacture your pulp at Cuttack, and the paper should be manufactured at Ranigunge.

Mr. Carr.—That is a point we are taking up.

President.—When the Talcher coalfield is opened, Cuttack may be a very suitable site for a paper mill.

Mr. Carr.—The railway cuts the river and there is a canal right down to the station.

Mr. Ginwala.—Apart from the question of protection, if you had finances available, would you proceed with this scheme?

Mr. Carr.—We were going into that. We were in touch with men at Cuttack over this.

Mr. Ginwala.—Would you take your pulp making plant to this place, or would you have a new plant altogether?

Mr. Carr.—As far as we are concerned it would probably pay to make the half-stuff at Cuttack and send it to Ranigunge.

Mr. Ginwala.—Can you give us an estimate of what it would cost you to instal a new plant?

Mr. Carr.—I will.*

Mr. Ginwala.—Can bamboo pulp take the place of wood pulp for the purpose of manufacturing newsprint?

Mr. Carr.—I cannot tell you that. At the moment there is no indication of making mechanical pulp out of bamboo.

President.—The important point in that connection is the question of price?

Mr. Carr.—Yes.

Mr. Ginwala.—Mr. Raitt says that it could be delivered at your mill at about Rs. 165. The import price of wood pulp landed is about Rs. 250 per ton: is it not?

Mr. Carr.—Yes.

Mr. Ginwala.—If you could produce bamboo pulp at a figure below the cost of the wood pulp from which the newsprint is manufactured, it seems to be a commercial proposition.

Mr. Carr.—We might probably replace it.

President.—Is there any reason why bamboo pulp should be unsuitable for newsprint except on the question of price?

Mr. Carr.—None that I know of.

President.—That is really the point Mr. Ginwala's question alludes to.

Mr. Carr.—The newsprint that comes out here is probably no large percentage.

* Statement V, para. 1.

Mr. Ginwala.—One of the questions that arise is this: supposing other paper only is protected, can mechanical wood pulp paper be substituted for ordinary paper?

Mr. Carr.—For the lower grades, yes: I mean for the cheaper stuff.

Mr. Ginwala.—Can bamboo pulp replace wood pulp?

Mr. Carr.—As far as I can see there is nothing to prevent bamboo pulp replacing wood pulp.

Mr. Ginwala.—You consider that the mechanical process is cheaper than the chemical process?

Mr. Carr.—Yes.

Mr. Ginwala.—Though, as far as we know at present, bamboo cannot be converted into mechanical pulp, there is no reason to prevent it altogether from taking the place of mechanical wood pulp?

Mr. Carr.—No.

Mr. Ginwala.—You have not given us all the figures in answer to Question 34.

Mr. Carr.—Sulphite pulp in May 1914 was £7-10 a ton and it was £12-10 per ton in March this year. The mechanical pulp was £4-10 against £8-10 in March.

Mr. Ginwala.—You use both?

Mr. Carr.—We do not use mechanical now. We did at one time, when we had trouble in collecting materials.

Mr. Ginwala.—You said £12-10 but you give here £14-10?

Mr. Carr.—I am really giving the trade paper quotation here. That is what we paid. There are several grades of pulp. Ours is easy bleaching pulp. £12-10 is sulphite news, £14 is easy bleaching pulp.

Mr. Ginwala.—With regard to freight concessions can you tell us what form they are likely to take?

Mr. Carr.—We put up a representation based upon the freight paid by other materials, and the East Indian Railway have agreed to it, and I think the Oudh and Rohilkhand Railway will also agree.

Mr. Ginwala.—Does that apply to your primary raw materials only or also to your auxiliary raw materials?

Mr. Carr.—Grass.

Mr. Ginwala.—Will it give you a substantial reduction?

Mr. Carr.—It is a quite useful percentage, 25 per cent., I think. That is my recollection.

Mr. Ginwala.—You are not asking for any concession on your finished products?

Mr. Carr.—As you will notice, we have a slight concession in that direction.

Mr. Kale.—I have not been able to understand your system of royalty. How is the royalty paid? You say you pay so much per ton of grass.

Mr. Carr.—We pay so much rent per forest. It is a rent really. Royalty is a misnomer.

Mr. Kale.—Is it based upon the acreage of the forest?

Mr. Carr.—A forest is put up for auction and we know roughly what it will yield, and we make our bid accordingly.

Mr. Kale.—And you pay a minimum sum for the whole area?

Mr. Carr.—Yes.

Mr. Kale.—Is that for grass only? There may be other products?

Mr. Carr.—We pay only for the grass.

Mr. Kale.—And the condition is that during certain months of the year you are to take out grass?

Mr. Carr.—Yes.

Mr. Kale.—I wanted to know how much grass you can get out of each acre of the forest. Can you give us an idea of that, so that we may form an estimate of the capacity of the Indian forests to yield grass?

Mr. Carr.—No. I am afraid I do not know that. In the Chota Nagpur forests we take the whole forest, but then the grass is in plots. Grass often grows in patches. I think from that forest we might expect to get up to 150 or 175 thousand maunds, but we do not know the area under grass.

Mr. Kale.—Quite probably, when the forest areas are put up to auction, the Forest Department knows the acreage of the plots?

Mr. Carr.—I don't think so.

Mr. Kale.—So that it is not possible for us to get an idea?

Mr. Carr.—I am afraid I cannot get that for you.

Mr. Kale.—Have not the manufacturers in Great Britain, for instance, who use grass, to face the same difficulty as you have to face? They have to import grass from as long distances as you have. Then there is the ocean freight that they have to pay. Do you think that the ocean freight is lower than what you have to pay in railway freight? I want to get at the disadvantages, if there are any, under which you labour as compared with your competitors.

Mr. Carr.—We will get as much of the information as we can for you.

Mr. Kale.—In answer to Question 23 you say "The area of collection of grass has been extended owing to the calls on labour from other industries, making it necessary to go further afield to obtain a sufficiency." But is it a question of drawing a comparison between the higher wages that you have to pay and the higher freight you have to pay, or is it that you do not get any workmen at all? What is the difficulty connected with the labour; is it that you have to pay higher wages or is it that you do not get any labour at all?

Mr. Carr.—Partly higher wages and competition from other industries.

Mr. Kale.—So that if you compare the higher wage that you have to pay with the higher railway freight you have to pay when you go further afield, you think the higher railway freight is lower than the increase in wages?

Mr. Carr.—It comes to that I think.

Mr. Kale.—Practically there is no labour available because it has left the area?

Mr. Carr.—In another year they may come back again. Many don't go to the big works in cases where they get a fair wage in agricultural work.

Mr. Kale.—In the tracts where you have got your grass, do you think that area is a culturable area, which can be brought under the plough, or is it a waste area?

Mr. Carr.—In Chota Nagpur conditions may be described by an example of one forest which has been closed on two occasions by man-eating tigers. This shows that it is not culturable. In the north-west the forest area is so malarious that our labour for cutting the grass has to be imported from outside.

Mr. Kale.—What I was asking you was this: if the population increased perhaps some of the land might be taken up for cultivation?

Mr. Ginwala.—The best kind of grass grows on the slopes?

Mr. Carr.—Yes.

Mr. Ginwala.—So it is not likely to be taken up under the plough?

Mr. Carr.—I don't think so.

B.—Auxiliary.

President.—For what purpose is the aluminiferous used?

Mr. Carr.—Water cleansing and sizing.

* See Statement II (i).

President.—Is not a certain amount of china clay available in Seraikela?

Mr. Carr.—We have tried it over and over again, but it is not of the standard of the British article.

President.—Is the defect in the constitution of the clay itself?

Mr. Carr.—It is not quite good colour and is a bit gritty.

President.—Is there a possibility that these defects might be overcome?

Mr. Carr.—We might use about 25 per cent. Indian to 75 per cent. foreign clay.

President.—What is the yellow ochre used for?

Mr. Carr.—For badami paper.

President.—And the alkali?

Mr. Carr.—That is for boiling the grass.

President.—In answer to Question 38 (B) in the case of lime you have not discriminated between the market price and transport and other charges. Is that because you have got your own source of supply or something of that kind? There is an entry under the head "Transport" but there is no entry under the head "Market price."

Mr. Carr.—I am afraid I cannot explain that for the moment.

President.—I thought possibly it might be an all-in cost.

Mr. Carr.—That Rs. 16 is an all-in cost.

President.—Where do you get the lime from?

Mr. Carr.—From Katni or Sylhet. As a matter of fact lime is one of our difficulties in this country.

President.—This Rs. 16 a ton is the total cost of the lime delivered at the mill, isn't it?

Mr. Carr.—That is about it.

President.—If you are bringing it all the way from Katni, the transport charges must be at a very low rate surely?

Mr. Carr.—It is Rs. 75 per 100 maunds or 12 annas a maund. (a) is "market price" and (b) "transport and other charges." The market price in this case has been omitted.

President.—Will you please just make a note of it and let us have it?

Mr. Carr.—Yes.*

President.—In answer to Question 39 you say "The manufacture of bleach is, we understand, not contemplated in India except by the factory immediately requiring chlorine." Is that with reference to the Titaghur Mill?

Mr. Carr.—Yes. I think some cotton people also use it.

President.—That is to say, it comes to this, that you think it is quite possible particular factories engaged in various industries who require bleach would manufacture it themselves, but that India is not likely to manufacture it for sale?

Mr. Carr.—That is my impression.

Mr. Ginwala.—The cost of your auxiliary materials has gone up by about 100 per cent. since before the war, has it not?

Mr. Carr.—It is more than that.

Mr. Ginwala.—If you look up your Form I you will find it has risen from Rs. 52 to Rs. 112. Is there any special reason why there has been such a big rise?

Mr. Carr.—These are, I think, largely influenced by wages.

Mr. Ginwala.—Still I think it is a very big jump. Can you give us the rates for 1914 for these articles?

Mr. Carr.—I will send them to you.*

Mr. Ginwala.—Practically all your auxiliary raw materials are chemicals?

Mr. Carr.—Yes.

* See Statement II (iv).

Mr. Ginwala.—Some of them can be manufactured in your factory?

Mr. Carr.—We get the alkali and the caustic soda from the Maghadi Soda Company.

President.—Mr. Ginwala is asking whether you manufacture it yourselves.

Mr. Carr.—We can do it, but it is an expensive plant and the capital cost is too high.

Mr. Ginwala.—Is there anybody manufacturing bleach in this country?

Mr. Carr.—Not for sale.

Mr. Ginwala.—Is there a fair demand for bleach in this country?

Mr. Carr.—Yes, there is. It is required for filtration work, and also by the textile industry.

Mr. Ginwala.—It is rather strange that nobody has started making it.

Mr. Carr.—I believe the process for making bleaching powder is such that it is very doubtful if you can carry it on in this country. The heat is tremendous and the physical labour required is very heavy and the fumes are dangerous. We can make bleaching liquid but that is not suitable for sale.

Mr. Ginwala.—Amongst these chemicals, there are none, I take it, which are used exclusively by the paper manufacturers?

Mr. Carr.—Aluminoferrie is used generally, I think. I don't know whether caustic soda is used much out here. I am afraid I can't say.

Mr. Ginwala.—The question arises whether any relief should be given, if it was necessary, by removing the duty on raw materials. That is why we asked you that particular question (in Question 85) about the customs duties on imported materials. You have not given us the total quantity of the duty paid.

Mr. Carr.—I don't think that you asked for the total duty in 85.

Mr. Ginwala.—We wanted you to give us the money value of these disadvantages. We gave an illustration in our note there as to what sort of information we wanted.

President.—What it comes to is this, that, in so far as you have got to import materials like chemicals from abroad, you are under a certain disadvantage as compared with the manufacturer in Europe. What we should like to be able to do is to put a figure on that disadvantage.

Mr. Ginwala.—Before the Fiscal Commission I think that you laid a considerable amount of emphasis on the duty that you have to pay on these various chemicals.

Mr. Carr.—Yes.

Mr. Ginwala.—Either you or Sir Willoughby Carey asked that the duty should be removed on these chemicals. The removal of the duty on these chemicals altogether is a different proposition. Some of these chemicals are used by other people, are not they?

Mr. Carr.—Yes. I can get these figures for you.*

Mr. Ginwala.—In that case I want to know what form the exemption should take.

President.—One rather wants to be able to say, if the duty on bleach, for instance, were removed, the difference would be so many annas a ton. That, I think, is the vital point. It would be better to confine it to the chemicals which are not manufactured in India. The moment you come to an article manufactured in India, you raise another issue which would complicate things a good deal.

Mr. Carr.—Bleach is practically the only thing. You can get aluminoferrie now out here. You can get clay and rosin also now.

President.—I have no objection to china clay being considered because you have given definite reasons why the Indian product cannot be used but

* See Statement II (vi).

where you habitually get your supplies of a material in India, it would be a waste of time to raise the question of the customs duties.

Mr. Carr.—Yes. The point I have taken down is to show the relief that would be given by the removal of the duty on china clay and chemicals which are not manufactured in this country.

Mr. Ginwala.—Supposing Government thought that relief ought to be given, how are they to give it to you? That is one of the questions that we may have to consider.

Mr. Carr.—I am afraid I have not considered that.

Mr. Ginwala.—If the duty was to be removed altogether, that is a very simple question.

President.—You know what the financial situation of the Government of India is, and they might say "However beneficial this measure may be, we cannot do it."

Mr. Ginwala.—Supposing it became necessary to make any recommendation on that point, I take it the customs authorities could always find out from your books how much duty you had actually paid?

Mr. Carr.—They could always find out.

Mr. Ginwala.—Would you have any objection to submitting your books to an examination by the Customs authorities or any other authority?

Mr. Carr.—To Customs authorities I can say "yes," but to any other authority I can't say till I know who that authority is.

President.—Any other authority must be somebody deputed by the Customs authorities.

Mr. Ginwala.—You have no objection to that?

Mr. Carr.—No.

Mr. Ginwala.—May we take it that so far as you are concerned you don't sell any of these chemicals in the bazar?

Mr. Carr.—Yes.

Mr. Kale.—In answer to Question 37, you have given certain percentages. I am not able to understand these percentages. The question is "What quantity of each of the chief auxiliary raw materials is required per ton of finished paper." You have not given the quantities. You have given percentages. Are these for a ton of paper?

President.—Does that mean that 8 to 12 per cent. of a ton of bleach is required to make a ton of paper?

Mr. Carr.—That is the percentage of a ton to make a ton of paper.

Mr. Kale.—It means that 1/8th to 1/12th of a ton of bleach is required to make a ton of paper?

Mr. Carr.—To make white paper we would take about 10 per cent. of bleach.

Mr. Ginwala.—If you don't make these chemicals what do you do with your recovery plant?

Mr. Carr.—We recover the caustic soda and use that again and work it up with lime. That is why we want lime. We use it again with fresh caustic soda to boil grass.

Mr. Ginwala.—That is a chemical process?

Mr. Carr.—Yes, we ought to save about 70 per cent. of the cost.

Mr. Ginwala.—Do you save that?

Mr. Carr.—We ought to.

Mr. Ginwala.—What do you save then? I understand that some manufacturers save as much as 85 per cent.

Mr. Carr.—That is theoretical. I believe that there are one or two firms who work up to that. We work at present on 54. We have never done better than 64 or 65.

Mr. Ginwala.—What is the reason?

Mr. Carr.—I think that it is due to the condition of the grass which makes it difficult to recover.

Mr. Ginwala.—Is it a recent plant?

Mr. Carr.—It is a modern plant. We put it in before the war.

III. LABOUR.

President.—In answer to Question 46, you say "Indian labour has proved quick to work in subordinate skilled positions and a large labour force has been built up, which is efficient in its various branches. It has not so far proved capable of supervisory appointments, for although several Indians have presented themselves for training and been given every facility, they have, without exception, failed to carry through the training which is required to make an expert supervisor, and have generally left the mill after acquiring superficial knowledge." In a sense, that is disappointing. If the industry is really suited to Indian conditions, it ought to be the case that it should be capable of being entirely managed by Indians. Your experience has not encouraged that hope.

Mr. Carr.—I think that they come at a wrong time. They come after finishing college. They have got to begin earlier. They come at about 22 or 23, and they cannot really get a good understanding much under five years. A fellow from the Punjab stayed with us for about three years and he went to America to finish it up. He learnt well, but none of them wanted to carry on in the mill and take a position in the mill.

President.—Were there any Bengalees?

Mr. Carr.—So far as I recollect we had two Assamese, two Punjabis and one Bengalee.

President.—In reply to Question 45 you say that 14 Europeans are employed at Ranigunge, and this number has to be maintained whilst the whole factory is running regardless of output. How would that compare with the number of Europeans you employed, say, 20 years ago?

Mr. Carr.—I should think we have added 6; when giving evidence before the Industrial Commission, our number was 12. We had to add two more, having to go in for more expert supervision.

President.—I have not got the answer yet.

Mr. Carr.—We have added six more in the last 20 years.

President.—So far, no progress has been made in reducing the number of Europeans employed.

Mr. Carr.—It is now a bigger mill than it was 20 years ago. We are making more paper. We have to watch it in a more expert way too.

President.—In 1909 you turned out 5,200 tons and now your output is 6,500 tons.

Mr. Carr.—That 5,280 was a bigger percentage of our capacity than 6,500 tons. It is the Indian labour that is holding us back now.

President.—And also your experience tends to show that the burden which the industry carries on account of the higher salaries paid to Europeans promises to continue for a very long time. Practically no progress has been made in 20 years, and it would take a long time at that rate.

Mr. Carr.—May I mention, for instance, that one of the extras is an Assistant Manager? We have got a big mill and we cannot depend on one man. Two extras are foremen. There are more beaters to be looked after and more paper is being made. Another man is a chemist. So that I don't really think that it is in any way retrograde as regards the employment of Indian labour. Simply our requirements are greater in the matter of supervision.

President.—So far, there has been no displacement of Europeans by Indians?

Mr. Carr.—None at all.

President.—Can you give us the total wages paid to these people, I mean Europeans?

Mr. Carr.—Four years ago we have added another salesman. Last year our total European pay bill including the salesman and the Mill establishment was Rs. 188,013.

President.—In your answer to Question 47, you have compared the rates of wages paid to paper makers in the United Kingdom with the wages you pay for your imported labour. It means that the extra amount is something like from 50 to 67 per cent.

Mr. Carr.—Yes.

President.—Assuming that the Indian in this country would not be paid higher than the European in his own country, it would mean that if you could employ Indians, you would save about 2/5th of Rs. 1,88,013.

Mr. Carr.—Yes, if we could.

President.—What is the extra burden really you are bearing in consequence of your being obliged to employ imported labour? I am not suggesting that you should not. I am merely putting a figure on the extra burden that you are incurring. If you take off 2/5th of Rs. 1,88,013—would that be somewhere near it?

Mr. Carr.—Yes.

President.—That would mean taking off Rs. 75,000?

Mr. Carr.—Yes.

President.—On the basis of your output of 7 or 8 thousand tons a year, it means about Rs. 10 a ton?

Mr. Carr.—Yes.

President.—I wanted to see how it worked out. Then I notice that you have asked that your reply to Question 48 as to the rates of wages paid should be treated as confidential.

Mr. Carr.—For the same reason. They are not always known to other employers. I withdraw my objection.

President.—Then, you have given us wages for two years 1917 and 1923. Would the wages in 1917 be about the same as in 1914?

Mr. Carr.—About that. There had not been much increase.

President.—At the end of your answer to Question 49 you say "Since January 1921 they have been paid extra at above rates for 13 recognised holidays and since June 1921 extra at above rates for Sundays." They don't work on Sundays. Do you mean to say that they are paid double wages?

Mr. Carr.—They used to receive Rs. 10 a month. When they were given a rise from Rs. 10 to Rs. 12-8-0, or whatever the figure was, that was taken on a basis of 26 working days in the month. A year later they said that they were paid only for working days, and that they ought to be paid per month. We had to let them have it.

President.—In your reply to Question 50, you express the opinion that wages are at present too high, and that the man can earn all the money he wants in less than a full month and he absents himself.

Mr. Carr.—That is so.

President.—I take it that that would be common to all industries in the coalfields area. It does not apply to your industry only.

Mr. Carr.—It applies all over.

President.—In Calcutta too?

Mr. Carr.—I think so.

President.—Your complaint is not that you have got to pay them too much, but that you don't get a sufficient return for your money?

Mr. Carr.—Yes.

Mr. Ginwala.—You say in your answer to Question 42 that labour has to be collected. Do you collect the labour?

Mr. Carr.—Our man goes up in September and he advances to the Sirdar who collects the coolies to cut the grass.

Mr. Ginwala.—They are paid by the piece?

Mr. Carr.—They get so much per maund for cutting.

Mr. Ginwala.—You pay the railway fare, etc.?

Mr. Carr.—Yes.

Mr. Ginwala.—Is it the United Provinces labour or have you got to get it from other provinces?

Mr. Carr.—It is United Provinces labour.

Mr. Ginwala.—There is nothing like "indentured" labour?

Mr. Carr.—No. The coolies come and stay for about three months. They won't stay after March.

President.—Where do they go to after March?

Mr. Carr.—They go back to their homes.

Mr. Ginwala.—As regards your answer to Question 45, we have not seen the Upper India Couper Paper Mills, but they don't employ any Europeans, I think, and yet they appear to have a very prosperous balance sheet.

Mr. Carr.—They have got a good mill as well!

Mr. Ginwala.—They have always paid a dividend and they have also been paying a large bonus. They have got a reserve of Rs. 21 lakhs.

Mr. Carr.—I wish we had.

Mr. Ginwala.—It is for you to follow their example and employ more Indian labour.

President.—The point is really this. Here is a paper mill in Lucknow which has succeeded in maintaining a dividend for a long period of years and has paid very handsome bonuses since the early outbreak of the war. It does not employ many Europeans. *Primâ facie* that does create a presumption that Europeans are not necessary.

Mr. Carr.—There is the argument that, if they had Europeans, they would probably have had a better return. These mills are not comparable. You are comparing a grass mill with what has been a *badami* mill, except for their stamp paper. They have had a *badami* monopoly in the up-country markets. They make good *badamis*.

Mr. Ginwala.—They use about 30 per cent. or so of grass. The raw materials they are using are pretty much in the same proportions as yours. They must be going in for more or less the same kind of production.

Mr. Carr.—You have their figures but I have not. I don't think that they make the same percentage of white paper as we do.

Mr. Ginwala.—Will that account for the whole of this difference?

Mr. Carr.—I think that very largely it does. To the best of my belief they have spent nothing like most of us have in keeping their mills in order.

Mr. Ginwala.—That would hardly affect the question of the employment of European labour. I am trying to point out that that is a point which does arise. It shows this much anyhow that they can employ Indian labour and still make profits and show a good balance sheet.

Mr. Carr.—Quite.

Mr. Ginwala.—I take it that you are a large employer of Indian labour in your other departments.

Mr. Carr.—Yes.

Mr. Ginwala.—Are these rises in wages in accordance with the rise you have given in your other departments?

Mr. Carr.—From 1917-23 I should think that they are higher than in some industries. I think that they were about equal to the Mistri labour-

in other departments of our office—a good deal higher than Tea Garden labour for instance—about the same as coal.

Mr. Ginwala.—In your case the position appears to be reversed, generally speaking, in that, in the case of artisan class, the rise is less and in the case of coolies the rise is more.

President.—Are you thinking of the Porbandar Cement Company?

Mr. Ginwala.—Also of Tata's.

Mr. Carr.—They have got to collect labour. We are keeping a labour force.

Mr. Ginwala.—It struck me as rather curious that, in the case of other firms we have examined so far, they have given a rise of 80 to 100 per cent. to the artisan class and to the other men 40 to 60 per cent. and in your case it is the other way about.

President.—My impression is that in the coalfields the unskilled labour has got a bigger increase than the skilled labour.

Mr. Ginwala.—Is it because you are situated in the coalfields?

Mr. Carr.—The increase is relatively less in the case of a cooly than in the case of a fitter, because, e.g., the latter got from Rs. 20 to Rs. 30 and the cooly from Rs. 9 or Rs. 10 to Rs. 18.

Mr. Kale.—Will you please tell me who these 14 Europeans are?

Mr. Carr.—

- 2 salesmen.
- 1 Manager.
- 1 Assistant Manager.
- 1 foreman.
- 2 machinemen.
- 2 beatermen.
- 3 engineers.
- 1 electrical engineer.
- 1 chemist.

Mr. Kale.—Do you appoint them in England?

Mr. Carr.—We bring them under indenture.

Mr. Kale.—What position do they occupy at Home before you bring them here?

Mr. Carr.—Just the same at Home.

Mr. Kale.—You take them from some mill or factory—you do not train them?

Mr. Carr.—No. They are trained in a mill at Home from their 14th year and they are only recruited at a later age.

Mr. Kale.—Your answer to Question 46 appears to me rather a severe indictment on educated Indians—the kind of Indians who have presented themselves to you for training. I should have thought that you would have made some selection for training. I am not surprised that Indians of the right type have not presented themselves to you. I should have thought that as your firm has been in existence for some 30 years and more you might have selected some better men and trained them.

Mr. Carr.—I do not think it appeals very strongly up to date to Indians.

Mr. Kale.—But how is it in other industries it has been possible to pick up Indians with better training—in Bombay for instance?

Mr. Carr.—Paper making is a trade which you may call hereditary. You will find the father and the son in the same trade. It means a long apprenticeship.

Mr. Kale.—Do you think there is anything in the paper manufacture which militates against the Indian taste or custom? I quite understand

that in the leather manufacture, but in paper manufacture there is nothing which is regarded as beneath them by the middle class people of India.

Mr. Carr.—There is nothing to prevent them from taking it up.

Mr. Kale.—If in other factories, say in Bombay and Lucknow, you find all the industrial operations are successfully performed by Indians, and they can pick up training in factories, you cannot very well say that better class of men cannot be obtained?

Mr. Carr.—The possible explanation is that they get only 50 per cent. of their output with Indian management and we cannot afford it. It cannot suit us at the present time; if we reduced our output our expenses would go up.

Mr. Kale.—You are assuming that, if Indians are trained and appointed, their efficiency would be lower, and your production would decline?

Mr. Carr.—Not on the equal training. The point I am trying to make is that the training is so severe and long that it has not appealed to Indians up to date.

Mr. Kale.—That is the very point I am raising, whether you have given a fair trial to Indians. The wording of your answer is rather doubtful. You speak of Indians "presenting" themselves before you.

Mr. Carr.—They apply for jobs in the mill.

Mr. Kale.—Unless they know that there is a chance of promotion and so on, no good Indian will apply to you.

Mr. Carr.—In economic stress any European would look for a job everywhere and an Indian should do the same. We have nothing against them and we would rather have them at moderate expense.

Mr. Kale.—I do not know the conditions in your factory, but there is a sort of feeling that, if they go to a factory managed by Europeans, they are not likely to get any encouragement to rise. Therefore the good type of Indians do not go there. Is there any way of overcoming the difficulty unless you make an effort to get the better type of men?

President.—Is there any system of apprenticeship for instance?

Mr. Carr.—Three of these men I have mentioned came as apprentices, but they asked to be released, because they wanted to go out. One, as a matter of fact, left after 18 months and became the Technical expert of a Local Government. He considers he has learnt enough, but he was not good enough in our mill.

Mr. Kale.—What did you pay that man?

Mr. Carr.—I do not suppose he got anything: he was learning his business.

Mr. Kale.—I am not surprised that he left you and went elsewhere.

Mr. Carr.—He was learning and we do not pay our apprentices. We have some Anglo-Indian lads who come and work during their course of training and we are training them very successfully.

Mr. Ginwala.—In the Chemical department you should have no difficulty with Indians. But have you any Indians there?

Mr. Carr.—We have not at the moment: we have only an analyst.

Mr. Ginwala.—In some of the big laboratories they have Indian chemists.

Mr. Carr.—Undoubtedly. The only reason we have our European chemist was this. He was brought out as an assistant manager with chemistry knowledge, but he was not experienced enough to be assistant manager and so we put him as chemist.

Mr. Kale.—I am afraid you have to adopt some system by which you will have to give encouragement to Indians for training. You cannot wait for Indians coming and asking you for appointments.

Mr. Carr.—You suggest we should advertise in papers? We have been in correspondence with Provincial Governments about it and that is where all our men have come from up to date.

Mr. Kale.—Have not Provincial Governments been able to give you any people?

Mr. Carr.—We never pressed them. They asked us whether we would give the kind of training required and we said we would be glad to get the right type of Indian if we could get them. Five did turn up. But it is such a hard type of apprenticeship that it did not appeal to them. Unless they come a little earlier, say at the age of 15 or 16, and stay for a long time they won't have the necessary knowledge.

President.—You would have to make some arrangement for evening classes. If they joined at 15 or 16 and did not get any subsequent educational training, they would never be fit for higher posts.

Mr. Ginwala.—There are a number of technical schools in this country. Would not the technical schools like to send their boys for practical training in the Works?

Mr. Carr.—We have not tried them: we shall be very glad to do it.

Mr. Kale.—Our information in Jamshedpur was that on the whole they wanted about 30 candidates for the technical institute, and they got applications from 1,500 or 2,000, and in your case, you say, there are no applicants. The work there is much harder than yours. Then how is it that you did not get men? I think your system is defective or you have got no system.

In answer to Question 49 you give us the comparative figures representing the increase in wages between 1917 and 1923. Was there no increase given between 1914 and 1917?

Mr. Carr.—They were just about the same.

Mr. Kale.—What you say here is "The average cost for Indian mill labour per ton of paper was Rs. 18-0-7 in 1914 and Rs. 43-13-9 in 1923." This means an increase of 140 per cent. and is not borne out by the figures you have given. Therefore, I conclude that the 1914 wages must have been lower than in 1917.

President.—He must have been getting a higher output in one of those years. In 1914 apparently you did not get much very near your output.

Mr. Carr.—Three machines in 1914 as against four in 1923.

Mr. Kale.—The increase of 140 per cent. is not, however, borne out by the figures.

Mr. Carr.—Men like engineers, etc., are paid Rs. 100 a month but these are just the bulk of the labour.

Mr. Kale.—You say that the wage bill of the European employés comes to Rs. 1,82,000. That means on an average each employé gets Rs. 1,100 a month.

Mr. Carr.—There are the passages to be paid.

Mr. Kale.—I am speaking of the emoluments. Would not all these people get, on an average, Rs. 1,100 each? Do you think it is comparable to what they earn in England? Would it be twice as much?

Mr. Carr.—Take the manager: he gets six times as much as a machine man.

Mr. Kale.—I am speaking of the others.

Mr. Carr.—Our salesman has got 20 years' experience out here. He gets a big salary. You could take off Rs. 60,000 for the two men. That will give an average of 800 for the other men.

President.—This amount of Rs. 1,80,000 includes passages, etc.?

Mr. Carr.—Everything.

Mr. Kale.—From the figures that you have given in answer to Question 47 it appears that the difference between the two is 50 per cent. They pay £20 in the United Kingdom. Will the average salary of an employé from a British mill be, say, Rs. 500?

Mr. Carr.—I suppose something like that. We have been looking for a manager and the difficulty of getting one is tremendous. One is ready to take the foreman of a big mill and appoint him as manager.

Mr. Kale.—In answer to Question 50 you say that the efficiency, as reflected in the hands employed, is probably as 4 to 1. Do you find this out from the output per man?

Mr. Carr.—Judging rather by the mills at Home we employ 12 men where they employ 3, roughly for the same output.

President.—Would the wages be four times as high on the average? You have told us that you require four times the number of men here. If the wages in England are four times as high you are still not worse off.

Mr. Carr.—I do not think we are worse off really.

President.—That would not of itself prove that the wages bill will be greater, but you have got an extra burden on account of the European staff.

Mr. Carr.—It will be 100 rupees a week and the average at Home would be £4 a week.

Mr. Ginwala.—I think you will get him now at that wage.

President.—What was the figure for the total Indian wages bill?

Mr. Carr.—Rs. 3,25,900 for 1,200 Indian employés.

IV. POWER INCLUDING FUEL.

President.—In answer to Question 56 you say that your fuel consumption is $6\frac{1}{2}$ tons per ton of paper. Is that what you regard as a normal figure?

Mr. Carr.—This is not too bad: we have been up to $7\frac{1}{2}$ sometimes.

President.—You put that forward as a reasonable figure?

Mr. Carr.—6 will be good.

President.—In the next answer you say that first class Ranigunge coal costs Rs. 10-8-0 per ton, and the cost of coal varies as several qualities are used.

Mr. Carr.—Yes.

President.—What was the average cost for the coal used during the year?

Mr. Carr.—A little over Rs. 9.

Mr. Ginwala.—Your consumption of coal seems to be rather high.

Mr. Carr.—We have not been efficient in the steam consumption, and our outturn has been down. It would cost us no more coal if we are making another 1,000 tons.

Mr. Ginwala.—What is your lower outturn due to?

Mr. Carr.—It is due to what they call running slow. For the night shift

Mr. Carr.—I shall send you these figures.*

Mr. Ginwala.—A rough and ready figure would do. Do you have to use filtered water?

Mr. Carr.—We take it out of the river, settle it in the tanks and we get it through gravel filters. We also use alumina.

Mr. Ginwala.—Does it cost you much?

Mr. Carr.—Last year it came to Rs. 3-0-6 per ton of paper.

Mr. Ginwala.—But that is a very big item. I thought you were favourably situated for water.

Mr. Carr.—When the water comes down in the rains it is coloured like coffee and it requires a lot of alumina to clean it.

Mr. Ginwala.—Do you have to filter it to the same extent as if it was required for drinking purposes: are you following the same process?

Mr. Carr.—About the same cleanliness is required, otherwise you would have a dirty paper.

Mr. Ginwala.—How far can you substitute electricity power for steam, for power and for manufacturing processes?

Mr. Carr.—We generate our own power.

Mr. Ginwala.—For boiling purposes you would still have to use steam so that there is not much scope for expansion of electricity.

Mr. Carr.—I do not foresee any.

Mr. Ginwala.—You are very fortunately situated about the coal: otherwise it would be a hopeless business.

V. MARKET.

A.—For Paper.

President.—Do you sell more paper up-country than you do at Calcutta?

Mr. Carr.—In Calcutta last year we sold 1,750 tons and up-country we sold 2,080 tons.

President.—That is a good deal less than your total output?

Mr. Ginwala.—And the rest to Government I suppose?

Mr. Carr.—1,865 tons to Government. 260 tons to Burma. Then we have odd markets 200 tons; Madras, the East Indian Railway and so on.

President.—That gives us some idea where your paper is going to. For any place up the railway from Ranigunge you have a decided advantage as compared with the imported paper and also over the Calcutta Mill?

Mr. Carr.—Yes.

President.—Of the up-country markets which is the most important?

Mr. Carr.—Delhi; it serves a large area.

President.—I suppose it is a distributing centre?

Mr. Carr.—Yes.

President.—In answer to Question 67 you say "The smaller newspapers use indigenous papers, but the larger papers require a class which cannot be made in India, being chiefly made of mechanical pulp." What class of papers do the smaller newspapers use; is it printing paper?

Mr. Carr.—No. 3 white and rather an inferior grade of that. It does not require to be very clean for a newspaper. No newspaper is clean really.

President.—Is it cheaper for them than the imported paper?

Mr. Carr.—It is cheaper than importing. These small newspapers don't want to carry stocks of paper as they have not a big capital, and that is why they take from us.

Mr. Ginwala.—Messrs. John Dickinson would sell a pound of paper if they can get the market!

* Statement V, para. 2.

Mr. Carr.—They sell a certain amount: they hold a certain amount of stock but we can generally keep our hold in that direction.

B.—For Pulp.

President.—In answer to Questions 68 to 72 you say “As we are not contemplating the manufacture of pulp for sale, we do not deal with this question except to emphasize the fact with regard to No. 70, that for certain classes of paper, sulphite wood pulp from abroad will be necessary however big the supply of bamboo pulp.” Well, we were on that point this morning. Would what was said this morning lead to a modification of this answer or not? I am not quite sure what class of paper you had in your mind.

Mr. Carr.—High class bank paper. I don't think that answer would be modified.

President.—With regard to Question 66 you say in your answer, at the very end of it, that Government prices are 15 per cent. below market rates.

Mr. Carr.—That is the general rule.

Mr. Ginwala.—I suppose they buy in bulk?

Mr. Carr.—They are our big customers. We quote on this basis:—we get our telegraphic quotations from Home as to what the Home prices are and we quote right down to that. That is 15 per cent. below the market price here.

President.—Now that Government Departments have got to pay a duty will that make any difference to you?

Mr. Carr.—No.

Mr. Ginwala.—I think it was stated that they paid you more than the market price until the last conference.

Mr. Carr.—No.

Mr. Ginwala.—During the war they paid you controlled prices. Was there any change in the system in 1923?

Mr. Carr.—They were calling for tenders at Home as well.

Mr. Ginwala.—Was it not urged at the conference that the effect of that would be that you would get a lower price than you got before?

Mr. Carr.—My argument was that in calling for tenders they did not necessarily determine what was a fair price.

President.—I don't know of any reference to a fair price in the Stores rules.

Mr. Carr.—The question is whether you can get a fair price by calling for tenders.

Mr. Ginwala.—The reference there is ‘price being not unfavourable.’

Mr. Carr.—By fair price I mean a fair return on an efficient cost of manufacture.

President.—I am quite sure that there is no reference whatever to fair price in the Stores rules and, if the Controller attempted to fix prices on that basis, he would be transgressing the rules.

Mr. Carr.—The discussion came on as to what was a fair price.

Mr. Ginwala.—The difference is this: they formerly asked for quotations. Some people refused to give them and they now call for tenders. The result is that in the tenders they get the proper rates.

Mr. Carr.—They get rates at which they can buy.

Mr. Ginwala.—Formerly they could not get these rates and therefore the paper manufacturers got better prices, isn't that so?

Mr. Carr.—I don't know that we had better rates. I don't think we did. These tenders came up once a year, sometimes after 3 years and it is difficult to remember exactly what the position was.

Mr. Ginwala.—Government give you 5 per cent. extra?

Mr. Carr.—Yes.

Mr. Ginwala.—That gives you a protection of 20 per cent. so far as Government are concerned?

Mr. Carr.—Yes.

Mr. Ginwala.—Did the newspapers use your paper during the war?

Mr. Carr.—One or two of them did and several of them tried to. They asked Government to commandeer the mills to enable them to get their supplies from us, but Government did not do so.

Mr. Ginwala.—Why do you make this remark “however big the supply of bamboo pulp” in answer to Question 72?

Mr. Carr.—So far as we know *badami* and white as being manufactured from bamboo pulp will not replace sulphite entirely.

Mr. Ginwala.—It would be a very small quantity, I suppose, about 5 per cent. or so of the demand. It would not be much more than that?

Mr. Carr.—It might be about 5 per cent. at present.

Mr. Ginwala.—That is for the whole industry or is it for your mill?

Mr. Carr.—For both.

Mr. Ginwala.—But for the whole industry? Supposing India wanted to manufacture all this paper. You say it could not manufacture except by importing some wood pulp.

Mr. Carr.—I don't think so.

President.—As things stand at present it would be difficult if not impossible?

Mr. Carr.—Yes.

VI. FOREIGN COMPETITION.

President.—In answer to Question 74 you say “The papers where we meet the keenest competition are good class Esparto grass papers and high class rag papers, also papers made from sulphite pulp only.” Is there really a competition? I thought high class rag paper was a thing which you really could not produce?

Mr. Carr.—That is so.

President.—What I want to get at is, which of the papers you produce are subject to the keenest foreign competition?

Mr. Carr.—Good printing and writing papers.

President.—These are the two things where you feel the price is affected by something that is coming in?

Mr. Carr.—Yes.

President.—In answer to Question 75 you say “The foreign papers competing with our papers are chiefly made from wood pulp, Esparto grass and rags.” In order to get at this a little more definitely let us take the classes of paper you mention in answer to Question 8. The paper that competes with your ‘Printings’—of what material are they made?

Mr. Carr.—They are made from pulp and any higher grades from Esparto grass.

President.—The unbleached and the *badamis* are made from pulp?

Mr. Carr.—Yes, and browns entirely.

President.—And the ‘Writings’?

Mr. Carr.—They will be grass paper chiefly or high class sulphite.

President.—Turning now to your answer to Question 76, you have given us a comparison of the prices in various years.

Mr. Carr.—It is extraordinarily difficult to do it. It is as near as we could get it.

President.—I do not understand why imported paper always gets a lower price than the locally made paper.

Mr. Carr.—We sell out of our godowns and we can sell in small quantities. A man has not got to place an indent. He can simply come and take what he wants. If he places an indent with an importer he has to wait for two or three months.

President.—Do not importers stock paper at all?

Mr. Carr.—They do stock it unquestionably. I think the chief explanation is that we can give rapid delivery for considerable quantities, whereas the importer is generally able to give small quantities only from stock and has to indent for larger quantities.

President.—These are Calcutta prices?

Mr. Carr.—Yes.

President.—Take your "Printings" for instance. If you realize 4 annas 6 pies in Calcutta, would you get a higher price for the same class of paper in Delhi?

Mr. Carr.—The same price.

President.—What I am looking at is in this way. What would actually be paid by a purchaser in Delhi as compared with a purchaser in Calcutta?

Mr. Carr.—He pays the same.

President.—Then what you get from sales in Delhi must be less than what you get from sales in Calcutta?

Mr. Carr.—Yes.

President.—It is a strange result; in Delhi you have an advantage over the importer but in Calcutta you have not got it? In Calcutta you are at a disadvantage because you have to pay freight from Ranigunge to Calcutta, whereas going upcountry the importer and the mills have to pay extra freight from Calcutta to Ranigunge and it seems paradoxical that you should be worse off in Delhi than in Calcutta. Is it regulated by custom or what is it. What is the explanation? Or is it the competition of the Lucknow mills?

Mr. Carr.—No, nor the latter; we ask the same price all over India.

President.—It is curious. In the ports I can understand it because there of course the imported paper finally regulates the price, but up-country I do not quite follow. However it is not a matter of great importance.

In answer to Question 77 you say "... we consider the information we act on is entirely reliable." I might explain what we were thinking of when we put that question. It was not in any way to challenge what you might say, but to ascertain from what sources the Board could get the information. Supposing any question came up about an off-setting duty as in the case of steel, it is very important to know where we can get accurate information of current prices from. You have got agents but we cannot get in touch with them in precisely the same way. Supposing any question was referred to the Board which necessitated their getting very accurate information as to prices, we must have some idea as to what was the best way of getting it. No doubt the importers might know, but they might not be always willing to tell us, because the enquiry would arise in circumstances in which the interest of the manufacturers would be on the one side and that of the importers on another.

Mr. Carr.—I see.

President.—In answer to Question 82 you have given some figures for the railway freight. I see you have given them from foreign ports of exportation. The figures in the 3rd column include your freight to India, does it not?

Mr. Carr.—That is right.

President.—In answer to Question 83 you have given rates per maund per mile both for small lots and wagon loads. Do you regard these rates as reasonable?

Mr. Carr.—Yes.

President.—You have no complaint to make on that score?

Mr. Carr.—No.

Mr. Givvala.—What we are trying to find out is to compare the price at which paper comes into the country and the price at which you can afford to sell. In the case of different steel products, for instance, we can tell pretty

nearly: their prices are comparable. But in the case of paper what do you suggest we should do?

Mr. Carr.—You can take the invoice cost.

Mr. Ginwala.—It is very difficult to say against what particular imported paper you compete. We must have some sort of general average price.

Mr. Carr.—It is very difficult.

President.—The point is this. The paper that is competing with your paper may be different from your paper and therefore you cannot say the price of one thing can be used against the other.

Mr. Ginwala.—Take the case of steel. We ascertained that the Tata Iron and Steel Company ought to get an average price of Rs. 180 per ton and we came to the conclusion that foreign steel came at such and such a price and we said if we were to give steel any protection, the difference between the two prices should be the measure of that protection. How are we going to apply that principle to paper manufacture? What domestic prices are we to compare with import prices?

Mr. Carr.—The only way would be to take the invoice of imported papers and see whether they are comparable and what they charge.

Mr. Ginwala.—Have you seen the classifications in the Sea Customs returns?

Mr. Carr.—Yes.

Mr. Ginwala.—Can we adopt these classifications of paper?

President.—If you could at any rate give us the range of prices for white printings, and tell us what would probably be the maximum price and what was the minimum.

Mr. Carr.—Yes.*

Mr. Ginwala.—We are confronted with another difficulty but we are trying to find out the general average price.

Mr. Ginwala.—Now can you give us the amount of duty you suggest on the foreign article entering the country should pay? You are in the business. You can tell us how to get at the measure of protection on the principle I have stated. To my mind it is a real difficulty.

Mr. Carr.—Take a popular imported paper and get the English and Continental prices and our prices. I can give you two or three samples of that kind. Would that establish the difference?

Mr. Ginwala.—Supposing you manufacture six kinds of paper and there are a dozen kinds of paper which compete against you; if you get the average price of the dozen articles and the average price of your six kinds, then we might get some idea, but the things must be comparable. That is the point. We can say what price you ought to get—that we can determine—but to say what duty would be required to make up the difference might be an exceedingly difficult question. You can think it over and let us know. Or, the Paper Association or somebody else will have to explain to us how this is to be accomplished. That is the principle that was accepted, as you know, in the case of the steel industry.

President.—It is a curiously complicated case because an increase in the cost of any one kind of paper would probably be met by purchasers using paper of a lower quality.

Mr. Carr.—In that case the difference to be established would be about two or three pies—just enough to secure the buyers. What I mean is what the limits the foreign paper can sell at, we cannot say. All that we know is that they can sell two or three pies below us.

Mr. Ginwala.—We have not got the measure of protection. How are we to determine that?

Mr. Carr.—In my answers to Questions 79 to 81, I have said that it is extremely difficult.

* Statement V, para. 3.

President.—You were on the question of dumping. Whether there is dumping or not, our problem remains still the same, namely what is the difference between the price which gives the Indian manufacturer a fair profit and the price at which foreign paper is coming into the country.

Mr. Ginwala.—You complain of the unfair conditions. You want to equalise the conditions between you and the foreign manufacturer. If the manufacturer can sell his paper in this country at £10 and you cannot produce under £12, then we can say that the measure of protection ought to be £2. We can get your figure of £12 but we cannot get the foreign manufacturer's price. How are we to determine what amount of protection will meet the case?

Mr. Carr.—The 15 per cent. that you have given us does not enable us to do it.

Mr. Ginwala.—We do not know whether it does or does not. We may give you 50 per cent. and yet it may happen that you don't get any benefit out of it, because the conditions may not be equalised, so that we should like you very much to suggest to us as to what we are to do.

Mr. Carr.—Yes.

President.—With regard to your answer to Question 79, I understand these are the reports you got from your experts. Can you give any more instances of this kind? You have given an instance of a Trade Review.

Mr. Carr.—There is another extract from the World's Paper Trade Review, dated May 23rd, 1924. "Generally speaking the majority of British mills are selling at prices which show little or no profit, but so long as there are not sufficient orders to go round, they cannot increase them to a level which is justified by the increasing cost of material and labour."

Mr. Ginwala.—That is of course a comment made by the correspondent or the writer. Have you got instances in which the Director of a company has made a speech at an annual meeting saying that no dividends can be paid because they had to sell below cost price?

Mr. Carr.—I have not got instances of that kind. I have got extracts from Reviews. The Paper Trade Review of the 6th June has the following:—

"It is not only British paper-makers who are dissatisfied with the level of paper prices. Swedish producers are equally concerned. The price movement in esparto papers is gaining ground and we hear of further Mills having arrived at the decision that writing papers at the old figures are unremunerative. As yet, there has been no corresponding action that we know of in the Woodfree Section, but the dissatisfaction with extant prices is deepening."

Mr. Ginwala.—Is this question of freight (see your Answers to 82 and 83) a really serious one in the case of the finished article? Does it make very much difference?

Mr. Carr.—As far as I know, these freights are fair in comparison with what other commodities are paying to railways.

Mr. Ginwala.—Evidently our Question 85 has failed in its purpose. The idea was to get the money value of every disadvantage as far as possible.

Mr. Carr.—It is almost impossible to answer you in any other way. It is very difficult to put it in rupees, annas and pies. Take the recovery plant, for instance. Something goes wrong with the machine. The manufacturer at Home rings up the expert and he comes round and sets it right. Here it is not so. We try to tackle it. If we don't succeed, we write home. To put that in rupees, annas and pies is extraordinarily difficult.

Mr. Kale.—You say in answer to Question 80 that the competition that you have to meet is the keenest in Bombay, Madras and Calcutta. I can understand that it is so in Bombay and Madras. But what about Calcutta? From the figures that you have given in answer to Question 76, it will be seen that in Calcutta you are getting better prices than the foreign manufacturer. How can you say that you are worse off there?

Mr. Carr.—We say that competition is very keen in those places. It is natural in the seaports where the foreign manufacturers land their goods straight in the market.

President.—You don't seem to get any higher prices in Delhi?

Mr. Carr.—We get lower prices in Bombay and Madras than we do in Calcutta or in Delhi.

President.—But is it true then that competition is keener at Calcutta than it is at Delhi? You are getting a smaller price at Delhi, at any rate a smaller amount of the price paid at Delhi reaches your pocket.

Mr. Carr.—In Delhi, for instance, it is sold at annas 4-6 per lb.; but in Bombay it is sold at four annas.

President.—The prices are not the same then at Delhi as they are at the ports?

Mr. Carr.—Because foreign papers are cheaper in the ports.

Mr. Kale.—On what does the price in Delhi depend? In Calcutta, I understand that the competition between the imported and the domestic paper determines the price. You say that for printings you get As. 4-6 and the importer gets As. 4-3. You have also told us that the importers would not be content with As. 4-3 at Delhi and that he would want something higher.

Mr. Carr.—Yes.

Mr. Kale.—Why can't you get something higher?

Mr. Carr.—We do get As. 4-6 in Delhi, but in Bombay we get As. 4-0.

President.—In Calcutta also you get the same price. Is the competition the same or is it due to your reputation and business connections?

Mr. Carr.—Yes, traditions of the business and business connections. We have carried on for a great many years. One of the ways is to get these dealers to deal only in indigenous paper. We give them a bigger discount for that. If we want to sell in Bombay, we have to take the best price we can get.

Mr. Kale.—You have not yet explained how the competition is keen in Calcutta. In Calcutta you get a price of As. 4-6 per lb. while the foreign manufacturer gets only As. 4-3. On the figures that you have given you are getting more than the foreigner.

Mr. Carr.—At the moment, yes. In 1922 we were getting the same as the foreign manufacturer.

Mr. Kale.—Look at the whole period from 1912 onwards.

Mr. Carr.—In Calcutta, we have got a better price.

Mr. Kale.—You are better off in Calcutta and you ought to strike off the sentence relating to Calcutta. In Calcutta you have no complaint to make. These figures, I take it, are correct?

Mr. Carr.—As far as I know, these figures are correct. We always get a higher price in Calcutta.

Mr. Kale.—You told us sometime ago that you sold about 1,800 tons in Calcutta.

Mr. Carr.—Yes.

Mr. Kale.—If you get the advantage over the foreign manufacturer in the matter of 1,800 tons in Calcutta, that means a large amount. 1,800 tons is a fairly large proportion of your total output?

Mr. Carr.—There is the discount to be paid which makes the difference. Our maximum discount is 14 per cent.

Mr. Kale.—The foreign manufacturer has to pay the same discount.

Mr. Carr.—I don't know what exactly he has to pay. I know that competition in Calcutta is very keen. Our stocks are now mounting up. We cannot sell any quantity with the three pice increase. That is where the competition comes in. I have not got the figures for a large number of

years. Our Calcutta sales are falling off. I know at the present time they have considerably dropped.

Mr. Kale.—1,800 tons is a sufficiently large amount?

Mr. Ginwala.—I don't know whether we have made it quite clear to you. We want the average price realised by you.

Mr. Carr.—I can give you that.*

President.—Is the discount deducted from the prices that you have given, or is it included in them?

Mr. Carr.—This is the average return to the mill.

President.—That is to say, the discount is cut off from it.

Mr. Carr.—This is the net return. The average total cost was Rs. 540-15-10 for 1923, and the average realised price for the same year was Rs. 545-4-10.

President.—Unless these figures tally with the figures that you have already given in the forms, they would not help us very much.

Mr. Carr.—The difference lies between works cost and cost including Head Office, etc. I have got here figures, for three years, of our average realised prices:—

										Rs.	A.	P.
1923	.	.	.	.	.	.	.	.	.	545	4	10
1922	.	.	.	.	.	.	.	.	.	608	10	6
1921	.	.	.	.	.	.	.	.	.	836	2	8

President.—Have you got figures for 1914?

Mr. Carr.—No.

VII.—EQUIPMENT.

President.—In your answer to Question 92, you say “Methods of paper-making have remained unaffected, except in small particulars where improvement is always taking place, during the past 10 years.” I thought that the suggestion that a paper mill put up some 8 or 10 years ago would be a second class mill now, came from the Papermakers' Association to the Fiscal Commission.

Mr. Carr.—I think that it will be in Sir Willoughby Carey's evidence.

President.—You don't agree with that opinion?

Mr. Carr.—No.

Mr. Ginwala.—In the paper-making plant, there may not have been many improvements, but in the pulp plant there have been a lot.

Mr. Carr.—One can improve a mill by adding to it, but with regard to the process, as far as I know, there have been only small improvements. I went over one or two mills at Home last year which have got up-to-date machinery, but I did not see any marked improvements.

President.—What it comes to is this. Taking a British paper factory on the basis of pre-war prices, would the cost of manufacture to-day have appreciably decreased? That is to say, supposing the Home manufacturer paid the same wages as he did in 1914 and got his materials at the same price as in 1914, would he not be able, owing to improved processes, to make any substantial saving in his cost?

Mr. Carr.—I should not think so.

VIII.—CAPITAL ACCOUNT.

President.—I see from your answer to Question 100 that you have spent very nearly Rs. 14 lakhs on plant and machinery.

Mr. Carr.—That is right.

President.—Out of a total of Rs. 27½ lakhs—which is the original cost,—you have spent nearly 14 lakhs since 1917?

Mr. Carr.—Yes.

* Statement V, para. 4.

President.—I am a little surprised that you think that the present day cost of plant and machinery would be as high as Rs. 45 lakhs, seeing that you have spent quite a considerable sum in the last few years.

Mr. Carr.—The Gwalior acquisition was an extraordinarily cheap one.

President.—That has got to be brought out. That figure of Rs. 45 lakhs—the present day cost of plant and machinery for about the same output as yours—is just a statement and there is nothing to confirm it. Unless it is explained, it is not consistent with the heavy purchases made since 1917. Are you in a position to tell us as regards the Gwalior apparatus that was taken over whether you took it over at a favourable price or something of that kind?

Mr. Carr.—I had better give you a figure. When the Gwalior Company liquidated, this company took it over at Rs. 3 lakhs.

President.—The figures that you have given in answer to Question 100 include that?

Mr. Carr.—Yes, and the machinery I suppose is worth two lakhs more than that.

Mr. Ginwala.—What was the capacity of that mill?

Mr. Carr.—Before, its capacity was 110 tons, and its present capacity is I think 140 tons, a month.

Mr. Ginwala.—With the alterations you have made?

Mr. Carr.—Yes.

Mr. Ginwala.—Is this for one machine with the pulp plant?

Mr. Carr.—Yes. We have got beaters, breakers, etc., at Ranigunge.

President.—Can you tell us how you arrived at your estimate of Rs. 45 lakhs for plant and machinery?

Mr. Carr.—I am afraid I have not got the details with me.

President.—I don't think that it is necessary that we should have the details, but the point is whether it is based on recent estimates actually obtained in view of the possible expansions or improvements.

Mr. Carr.—Yes, it is.

President.—On what date were the estimates prepared?

Mr. Carr.—About a year or 9 months old. May I say (about the cost of Rs. 27½ lakhs) that our plant and machinery, if purchased to-day, would cost much more.

President.—Only those parts purchased before 1913. At the same time you may have to take off a good deal out of the purchases of 1920-21. If you actually imported the machinery in 1920-21, you probably placed the order in 1919. Prices were higher then, so that there is something to set off against the unquestionable increased cost of anything which you purchased before the war.

Mr. Carr.—That is so.

President.—This plant for which you obtained estimates, was it the same type of plant?

Mr. Carr.—The two machine mill estimates were made for us sometime back when we thought we might have another paper mill.

President.—In answer to Question 97 you say “in addition Rs. 3,00,000 remain in hand to cover the completion of improvement and extensions.” I do not quite see how that comes in in connection with depreciation.

Mr. Carr.—We probably did not get the purpose of the question.

President.—I gather that, when you spend this Rs. 3 lakhs, you may reduce the value of your plant in your books by that sum, but you have not done so yet?

Mr. Carr.—We have not done that.

President.—On page 12 I see that in the war years 1917, 1918, 1919 you were able to make pretty handsome distributions. The Couper Mills did

the same. The question is always raised whether it would not have been more prudent to make larger allocations for reserve.

Mr. Carr.—It was done in our shareholders meeting. It was pretty hard to make it as low as that.

President.—Still that is a point which has got to be taken into consideration.

Mr. Ginwala.—I do not follow these percentages.

President.—These percentages for some years cannot be right taking the capital of Rs. 8,88,000. Therefore we want to know when the capital was increased to Rs. 8,88,000. Apparently up to 1916 it was Rs. 4 lakhs and this apparently went up to Rs. 5 lakhs in 1917 and Rs. 6 lakhs in the next three years, and the last change was apparently made in 1921.

Mr. Carr.—Yes.

Mr. Ginwala.—With regard to equipment I would put a general question. Do you claim that the cost of production has not gone up in any way in consequence of any defective equipment apart from the coal?

Mr. Carr.—No. I do not think there would be anything except coal and recovery plant. These two were unsatisfactory.

Mr. Ginwala.—As for the rest, you claim it is as good as any reasonably equipped plant?

Mr. Carr.—It is as good as any good mill at Home.

Mr. Ginwala.—Is your plant as well equipped as plants in the other mills in India?

Mr. Carr.—I have never been to Titaghur. I imagine one of their mills is better than ours. Ours was an old cement work originally.

Mr. Ginwala.—Which one of them?

Mr. Carr.—Kankinar is a good one.

Mr. Ginwala.—You spent a lot of money in the years 1917-1924. Has it made much difference in the cost of production?

Mr. Carr.—It lowered our cost of production by putting up our outturn when labour intervened and upset it. All this money has put us up from about 542 tons to 670 tons a month capacity.

Mr. Ginwala.—With the alterations that you have made to the plant now have you got any plant which you can use for bamboo pulp?

Mr. Carr.—No.

Mr. Ginwala.—The paper machinery is the same.

Mr. Carr.—The machinery is the same in essentials. Take your digestors for instance; you have to digest bamboo at about 140 lbs. pressure, whereas ordinary grass would require about 60 lbs. and the digester would burst under that pressure. We have one department which boils rags: that is of one pressure and another department which boils grass which requires quite another pressure. There is no reason why without any great expense we cannot reduce bamboo.

Mr. Ginwala.—What about crushing?

Mr. Carr.—Crushing does not present any great difficulty. Experiments were carried out with bamboo with sugarcane crushers. It does not present much difficulty.

Mr. Ginwala.—May I take it that a change from grass to bamboo will not be such an expensive proposition?

Mr. Carr.—No.

Mr. Ginwala.—Have you investigated it?

Mr. Carr.—Our investigations up-to-date have been in the lines of working a bamboo pulp mill and that we should put the half-stuff into the Ranigunge.

Mr. Ginwala.—Your valuation of your plant and buildings comes to Rs. 27,64,611 and Rs. 16,69,214 respectively. Is that the book value?

Mr. Carr.—That is what we have paid— the original cost.

Mr. Ginwala.—That has depreciated by the figures given in answer to Question 97?

Mr. Carr.—Yes.

Mr. Ginwala.—The original value may be taken at Rs. 48 lakhs and you then write off this depreciation and you get the figures given in answer to Question 96. You have added another Rs. 10 lakhs or more. If you say that your block value is now this, that is practically less than what you put into machinery in the last five years.

Mr. Carr.—That is Rs. 7.53 lakhs.

President.—When did that writing off take place? You have spent close on Rs. 14 lakhs in the last seven years on plant and machinery. Suppose your machinery block stood at nil on that date, you have already written off all the new purchases. If so, they have got to go into the block account.

Mr. Carr.—They are written down as they are going to block.

President.—In the case of the Gwalior plant there was a double process. First you got it cheap and then you wrote it down.

Mr. Carr.—We made enough to write off the price of the Gwalior plant before we purchased it.

Mr. Ginwala.—Did you write it down in 1923?

Mr. Carr.—In 1921 we wrote off Rs. 3 lakhs for depreciation in the half year and we wrote off Rs. 5½ lakhs as we added to the plant. What we actually did was, out of the profit we made a reserve for extension and improvement of the plant. We transferred from that fund to depreciation and that is what it is referred to here as Rs. 3 lakhs, but we hold Rs. 3 lakhs against improvements and extensions and as the job is completed we will wipe out that as depreciation.

Mr. Ginwala.—Can you let us have a copy of your balance sheets?

Mr. Carr.—I shall get you copies from 1920 onwards and also of the first half year of 1914.*

Mr. Ginwala.—You have written down your capital to the value of your block?

Mr. Carr.—We had to write down, to keep the Company alive.

Mr. Ginwala.—It does not correspond to your block value for your block value is less.

Mr. Carr.—Our block value is less. We reduced our block value when we reduced our capital, but that is included in the depreciation shown in answer to Question 98. I have tried to explain that.

Mr. Ginwala.—When was this debenture loan raised?

Mr. Carr.—1892 and increased in 1904.

Mr. Ginwala.—That is why you got it at 6 per cent. you would not get it at 6 per cent. now.

Mr. Carr.—I am afraid not.

Mr. Ginwala.—How would you redeem your debentures?

Mr. Carr.—We have Rs. 3,57,000.

President.—In reply to the question “what further capital would it be necessary to raise in order to carry out any scheme of replacement or extension of plant which the company contemplate?” you say “no further capital is required.” Is that because you have not got any scheme?

Mr. Carr.—No.

Mr. Kale.—Have you not got any dividend equalization fund?

Mr. Carr.—Yes: it is now down to Rs. 33,000: we have drawn upon it to pay the preference dividend.

Mr. Kale.—That was rather too small: you have been paying 52 per cent. for nearly four years, 25 per cent. for the fifth. I thought you might have laid by something to the credit of that fund.

* Supplied but not printed.

Mr. Carr.—I am afraid that shareholders of those years were not so keen on it. Investors are keen on it no doubt.

Mr. Kale.—But these are the same shareholders who are now claiming protection. If you had put down a certain amount on the years when you made good profits—certainly something more than 6 per cent. was necessary in those years,—then you would have been able to lay by a sufficiently large amount—say 15 or 20 per cent.

Mr. Carr.—We spent about Rs. 14 lakhs on improvements and put by several lakhs to reserve and equalisation fund. The shareholders want something.

President.—How far were the shareholders of those years the same people whose capital was cut down in 1904?

Mr. Carr.—Not a great many.

Continued on July 4th.

Mr. Carr.—Before you begin I wish to make a statement. I have got here a representation of Messrs. John Dickinson & Co. to yourselves, and I notice that there is a deliberate misstatement which would prejudice our case before you, and that is with regard to the ability of the Indian mills to meet India's requirements. They say that, owing to the inability of the Indian mills to manufacture more than a confined range of qualities, the major portion of the provincial Government requirements are met from England and the Continent. That is absolutely untrue. The Bihar and Orissa contract has gone to the Upper India Couper Mills; the Burma Government contract has been divided, as we know, between the Titaghur Mills and the Bengal Paper Mills; of the Government of India contract, which of course includes the United Provinces, the Central Provinces and the Punjab Governments, 5,489 out of 6,000 tons have gone to the Indian mills. For years we have met the major requirements of the Government of India and the provincial Governments. The Bombay Government contract may have gone Home; we have not heard about that. I just want to make that point because I do feel that that is one of our claims which is the most important in this that our industry is important to the country.

Mr. Ginwala.—How did you get a copy of this?

Mr. Carr.—Our people got it from the bazar in Calcutta.

Mr. Ginwala.—That is to say, some sort of propaganda is being carried on?

Mr. Carr.—Yes.

Mr. Ginwala.—It was not quite clear to me what you did with your war profits. I may take it that a good deal of these profits were carried to the reserve which was afterwards used for the purchase of this machinery?

Mr. Carr.—That is right.

Mr. Ginwala.—In your case the 52 per cent. by way of percentage looks rather high, but having regard to the total capital that was entitled to earn dividend the amount shewn is not very big.

Mr. Carr.—No.

Mr. Ginwala.—How much have you distributed by way of dividend and how much have you carried forward to the reserves?

Mr. Carr.—Something like Rs. 20 lakhs to the reserve as opposed to distributing 12 lakhs.

Mr. Ginwala.—How did you spend the reserve.

Mr. Carr.—We kept the whole in cash or spent it on machinery.

Mr. Ginwala.—Of course, looking at your dividend list it looks as though you have not done badly: you have been able to give dividends since 1906.

Mr. Carr.—On reduced capital. We wrote our ordinary capital down by 75 per cent. and our preference by 50 per cent.

President.—You were paying dividends at 2 per cent. and $1\frac{1}{2}$ per cent. from 1906 onwards on the original value?

Mr. Carr.—That is it.

Mr. Ginwala.—This average that you have given in answer to question 105 of $5\frac{1}{5}$ per cent. is with regard to your actual capital now, is it not?

Mr. Carr.—That is on our reduced capital, this $5\frac{1}{5}$ per cent., excluding the war years.

President.—Supposing the capital had remained at its original figure. Taking it at its original figure all along on that basis what does the average dividend amount to?

Mr. Carr.—I cannot say without calculating, but the amount represented in the dividend is shown.

Mr. Ginwala.—That is it. You are rather fortunate. Are these cumulative shares?

Mr. Carr.—Yes. They were 6 per cent. and when the capital was reduced they were raised to 7 per cent.

IX. COST OF PRODUCTION.

President.—We come now to the question of cost of production, but here again the question comes up as regards two of the answers in 109 and 111 which you ask should be treated as confidential.

Mr. Carr.—In view of what you were saying yesterday I withdraw my objection to 109 entirely. As regards 111 I would rather wish not to publish that if it could possibly be done.

Mr. Ginwala.—This is rather important.

President.—Let me put the question to you in this form. Assuming your works cost at this figure and then taking certain figures, overhead and manufacturers profit, you get a certain total and that is, so to speak, the basis of all questions.

Mr. Carr.—All right, I withdraw.

Mr. Ginwala.—That certainly facilitates our enquiry a good deal.

President.—We are very much indebted to you. Let us turn now to Forms I and IV. The first entry in Form IV, I think, is taken directly from the form which we sent out, but I think in the first entry the heading is not correct. You mean perhaps primary raw material?

Mr. Carr.—I think it should be Primary Raw Materials.

President.—In 1923 your primary and auxiliary raw materials together came to Rs. 214 per ton of paper.

Mr. Carr.—Yes.

President.—On the other hand in your estimate in the answer to question 111, you put down your raw materials at Rs. 250.

Mr. Carr.—That is on account of the big reduction in purchased pulp in future.

President.—Therefore it comes to this that you can manufacture paper a good deal more cheaply by using more pulp than you do. Is it not in your interests as manufacturers to use as much pulp as possible?

Mr. Carr.—At one time it was. Not at the moment.

President.—Surely these figures, with the explanation that you have just given, prove it.

Mr. Carr.—Our costs as shewn in our answer to question 111 would be Rs. 300—Rs. 250 plus Rs. 50 for purchased pulp.

President.—On the three entries together you do make a small reduction.

Mr. Carr.—Yes.

President.—What it comes to is this. You expect to be able to reduce your consumption of imported pulp by about 50 per cent.?

Mr. Carr.—Yes.

President.—Under power and fuel you have shewn a substantial reduction of about 4rd as compared with your 1923 figures.

Mr. Carr.—Because our coal had been very bad.

President.—Do you expect cheaper coal, or better coal, or are you getting more use out of coal?

Mr. Carr.—Cheaper coal and greater efficiency. We have built a new chimney and it is already having effect.

President.—Would that mean a reduction of the amount of coal you use?

Mr. Carr.—Yes.

President.—To what extent you expect to bring down the cost?

Mr. Carr.—20 per cent.

President.—At present it is 6½ tons?

Mr. Carr.—That is what it should be.

President.—In 1923 was it 6½ tons?

Mr. Carr.—What I said was necessary. We actually used about 7½ tons.

President.—You hope to be able to come down to 6 tons.

Mr. Carr.—Yes.

President.—You also expect a reduction in the price, do you?

Mr. Carr.—Yes.

President.—Then under repairs and maintenance of buildings and machinery you expect a fall. Is that chiefly owing to the bigger output?

Mr. Carr.—Partly that, and partly prices are falling a little.

President.—For spare parts and things of that kind?

Mr. Carr.—Chiefly, things such as wires, felts, etc.

President.—They are for replacing your apparatus. They may not be spare parts technically but they are analogous.

Mr. Carr.—Yes.

President.—What is the figure against General services, etc. One figure has been typed over another.

Mr. Carr.—Rs. 18.

President.—You expect under Miscellaneous a drop from Rs. 10 to Rs. 6, but you don't apparently anticipate a corresponding drop under General services, etc.?

Mr. Carr.—No.

President.—Is there any special reason why the one should drop and the other not?

Mr. Carr.—We have given up riot insurance for the time being. It costs us a lot.

Mr. Ginwala.—You have now the Workmen's Compensation Act.

Mr. Carr.—Until they learn enough to put in claims I don't suppose it would cost us much.

Mr. Ginwala.—They would soon be taught.

Mr. Carr.—It won't cost us more than it does now. The general basis on which we give compensation is higher than it costs us in insurance. We always find jobs for those who get accidents. They are able to do some light job.

President.—In your answer to question 111, are you anticipating any greater output than you got in 1923?

Mr. Carr.—We are.

President.—If so, I should expect a reduction in the General service, etc. Is not that inevitable? It is an entry that must vary with the output.

Mr. Carr.—We expect rents will rise.

President.—They must come under Miscellaneous.

Mr. Carr.—Yes, I beg your pardon. It is packing which is one of our big items.

President.—Packing ought not to cost you more per ton.

Mr. Carr.—It would cost just as much.

President.—I should have thought that there should be a fall on an item of that kind. That includes your management expenses at the Mills, does it not? All the higher paid establishments which are not included under labour, would come in there.

Mr. Carr.—Then we shall have to pay more for a new manager, I am afraid.

President.—What I am more concerned with is this. On what output was this estimate given in answer to question 111 prepared?

Mr. Carr.—It would probably be 650 tons a month.

President.—In that case I should expect that your mill labour would have fallen more than you have shewn. With the increase of 20 per cent. in your output, I should expect that the figure would fall more heavily.

Mr. Carr.—I have not got the figures by me here.

President.—I should be quite prepared to accept if you would say "Our output is so much but the conditions of labour being what they are, we are not prepared to pay more." But if you are going to get that output, I don't see how you are going to do it except by much greater efficiency of labour. In that case the cost of labour ought to go further down.

Mr. Carr.—Quite.

Mr. Ginwala.—About Form IV; I should like to amplify it a bit in the examination. I think that first of all you had better correct the first entry in this form by substituting "Primary raw materials" for "Manufactured bleached pulp."

Mr. Carr.—Yes.

Mr. Ginwala.—What I want to find out is, what is the average cost of your primary raw materials as we have defined them?

Mr. Carr.—Our grass per ton is Rs. 74-8-0.

Mr. Ginwala.—Are we right in taking that the average yield of all your raw materials is 40 per cent.?

Mr. Carr.—It is 34 per cent. for grass and for others 40 per cent. On the average it would not be more than 37 or 38 per cent.

Mr. Ginwala.—For pulp?

Mr. Carr.—87 per cent.

Mr. Ginwala.—Some claim 95 to 100 per cent.

Mr. Carr.—They are very fortunate.

Mr. Ginwala.—In the case of local pulp that you are getting you don't get the full average because there is no time for it to dry?

Mr. Carr.—No time for it to absorb moisture.

Mr. Ginwala.—From bleached pulp to paper is there much wastage?

Mr. Carr.—Very little.

Mr. Ginwala.—The point I am driving at is, if you manufacture your pulp locally or buy it locally, you will save pretty nearly that wastage of 12 per cent.

Mr. Carr.—We don't pay for that 12 per cent.

Mr. Ginwala.—But you do. It costs you so much more.

Mr. Carr.—If you pay £10 for 95 per cent. dry, you will pay proportionately less for 87 per cent. dry. It is sold on the basis of the dry certificate.

Mr. Ginwala.—You have stated somewhere in your written statement that you want 1·20 tons of purchased pulp for one ton of finished paper. The wastage in that case is $\frac{1}{5}$ th of a ton.

Mr. Carr.—Yes.

Mr. Ginwala.—My point is that if you manufacture pulp yourself or buy it locally, whether wet or dry, there won't be the wastage of $\frac{1}{5}$ th of a ton.

Mr. Carr.—There would be. The price would be different. If we buy wet pulp, we would want 2 tons.

Mr. Ginwala.—But it would be very much cheaper. There is a certain amount of wastage in the imported pulp which you will not have if you use local pulp.

Mr. Carr.—I don't quite follow.

President.—What Mr. Ginwala means is this. When you are using manufactured pulp, if you compare its cost with the cost of what you yourself could manufacture or buy locally, you have got to make allowance for the proper wastage, in which case what you are going to get in value is lost in tons. In any comparison of prices that must be taken into account. It all depends on what the prices are.

Mr. Ginwala.—You have not given the prices of your pulp. We cannot get much further on that basis. But as a matter of fact there will be more saving if you use locally made pulp for the imported pulp.

Mr. Carr.—I don't get it. Our wastage won't come up in the prepared pulp, but it would have been already taken into account in the question of raw materials.

President.—Do you mean that it is allowed for right through?

Mr. Carr.—Yes.

Mr. Ginwala.—The value of your pulp is only 20 per cent. of your total works cost.

Mr. Carr.—Yes; in 1921 when pulp was expensive it was a third.

Mr. Ginwala.—If it is $\frac{1}{5}$ th, the total quantity of pulp used is about a third of the raw materials.

Mr. Carr.—In weight, yes.

Mr. Ginwala.—Now with regard to auxiliary raw materials: How are the results obtained here comparable with results obtained in foreign countries? Do you use more bleach?

Mr. Carr.—Bleach we have to get from abroad. The two things which we have got to get from abroad are China clay and bleach. The rest we can get here.

Mr. Ginwala.—Do you obtain in your works the same results as they obtain in factories at Home?

Mr. Carr.—Not quite, because the chlorine in bleach evaporates.

Mr. Ginwala.—You ought to get 35 or 36 per cent.

Mr. Carr.—It runs down with the heat.

Mr. Ginwala.—How much does it run down?

Mr. Carr.—With a bad consignment, we have gone down to 25 per cent. With one big consignment, we had to throw the whole lot into the river because the chlorine had gone out. That is simply a matter of deterioration through heat and poor quality powder.

Mr. Ginwala.—What is the average available?

Mr. Carr.—30 to 32 per cent.

Mr. Ginwala.—You are worse off by 37 to 32?

Mr. Carr.—On the basis on which we buy we are getting no loss. We have regular shipments fortnightly. I could not tell you whether it is 37 or 33.

Mr. Ginwala.—Then, generally, you claim that you don't use more chemicals per ton than up-to-date factories?

Mr. Carr.—I think so.

Mr. Ginwala.—There is nothing in the process which involves more wastage here than at Home except what you have pointed out?

Mr. Carr.—With that exception, there is nothing else.

Mr. Ginwala.—With regard to mill labour: I think that in another part of the statement you have given the Indian labour as Rs. 18 a ton for 1914 and Rs. 43-18-9 for 1923. Would the rest be European labour?

Mr. Carr.—That is right.

Mr. Ginwala.—It is a fairly big proportion; you have 44/70.

Mr. Carr.—It is 44/26. It includes the salaries of manager and salesman.

Mr. Ginwala.—That is a fairly large proportion. Rs. 24 a ton is a substantial figure for European labour only.

Mr. Carr.—Yes.

Mr. Ginwala.—In steel, it does not come to more than three or four rupees a ton—I forget what the exact figure is. Why are the figures under ordinary repairs so high as Rs. 42?

Mr. Carr.—That includes copper wires, etc. They are what are called furnishings of the machine. They wear out in two or three weeks and have to be replaced.

Mr. Ginwala.—Is it due to any defective machinery, or is it due to the conditions under which the machinery is worked?

Mr. Carr.—Just under normal conditions.

Mr. Ginwala.—Is it a continuous process?

Mr. Carr.—We knock off 24 hours a week.

Mr. Ginwala.—Do you work six days in a week?

Mr. Carr.—Yes.

Mr. Ginwala.—Are there three shifts?

Mr. Carr.—Only two shifts.

Mr. Ginwala.—I don't suppose that you are allowed to work 12 hours a day.

Mr. Carr.—They take leave during the shifts.

Mr. Ginwala.—But then you must keep a lot more men in that case.

Mr. Carr.—We have got double staff. We have in all 1,200. They come on two shifts. There are night workers and day workers.

Mr. Ginwala.—But you cannot work them for more than 60 hours a week now.

Mr. Carr.—That is right. They take leave during the 12 hours. They come at six o'clock and go at 9 for an hour and come back.

Mr. Ginwala.—When these people go, who take their places?

Mr. Carr.—We keep two or three people. Out of a gang, 7 will go and 3 will stay and when they return, these three men will go. We don't have a full gang of 10 except for 7 to 8 hours in a day.

Mr. Ginwala.—8 hours shifts would have been simpler.

Mr. Carr.—They don't like it. We would have another strike if we did it.

Mr. Ginwala.—You call "wires," etc., repairs. They are hardly repairs.

Mr. Carr.—Current repairs and maintenance.

Mr. Ginwala.—How much does maintenance cost?

Mr. Carr.—Furnishings, etc., cost Rs. 16 a ton, and repairs come to Rs. 11-8-0.

Mr. Ginwala.—The rest is maintenance.

Mr. Carr.—Then there are stores that would come to Rs. 4-8-0 a ton.

Mr. Ginwala.—Rs. 11 a ton is a big sum for repairs.

President.—It is only 2 per cent.

Mr. Carr.—Belting, etc., come in here.

Mr. Ginwala.—With regard to question 111 we have not got comparable figures now.

Mr. Carr.—I have divided that Rs. 250 into small items in case you want it.

Mr. Ginwala.—This figure of your primary raw materials remains the same.

Mr. Carr.—Yes. When we come to boiling per ton of paper we do not boil the pulp we use; so the boiling cost must go up when we use more pulp and less grass.

Mr. Ginwala.—Yesterday I think you told us that when you worked your forests there would be reduction. You have not made any allowance for that here.

Mr. Carr.—We shall be using more grass. All these figures are per ton of output. When we are using grass instead of pulp we shall be using more caustic soda. When we use it we shall only have to add Rs. 50 instead of Rs. 100 for imported pulp.

Mr. Ginwala.—What I am not quite clear about is this: Do you expect any economy in the average cost of your raw materials, excluding of course the imported pulp, when you work your own forests and when you are nearer your forests and freights are reduced?

Mr. Carr.—I gave a figure yesterday about reduction in Ramnagar field, and we expect to reduce it still further.

Mr. Ginwala.—That factor is not taken into account here.

Mr. Carr.—But we shall be using more grass per ton of outturn.

Mr. Ginwala.—But grass is not more expensive than the other materials that you are using.

Mr. Carr.—No. It varies from Rs. 2-8-0 to Re. 1-4-6 and we have got to try and bring Ramnagar down considerably. Our chief reduction in cost will come from improved outturn.

Mr. Ginwala.—Not by cheapening of any raw materials? It will be Rs. 138 for primary raw materials and that is an increase of cost from Rs. 102.

President.—The point is that your primary raw materials are going to cost more because you have to use more per ton of paper, but I gather you have taken the rate at a lower figure.

Mr. Carr.—Yes.

Mr. Ginwala.—What it comes to is this that in the primary raw materials, your purchased pulp and the auxiliary raw materials, there will be a saving of Rs. 14 a ton?

Mr. Carr.—Yes.

President.—Suppose you take your grass at the same rate as it was in 1923 would there be any saving then in substituting grass for pulp?

Mr. Carr.—Practically none. £17 c.i.f. per ton of pulp compares with Rs. 2-8-0 a maund of grass.

Mr. Ginwala.—In this estimate at what price have you taken the purchased pulp? Have you taken it at present prices?

Mr. Carr.—Yes.

Mr. Ginwala.—What is this year's price?

Mr. Carr.—£14.

Mr. Ginwala.—Under "power and fuel" you have taken Rs. 45 as the total cost per ton. How much coal does it represent?

Mr. Carr.—6 to $6\frac{1}{2}$ tons.

Mr. Ginwala.—You expect a reduction in the price of coal, not in the consumption?

President.—In 1923 they were using $6\frac{1}{2}$ tons of coal and they expect to get a reduction to 6.

Mr. Carr.—We use about $7\frac{1}{2}$ tons for a ton of paper.

Mr. Ginwala.—What is that due to?

Mr. Carr.—That is due to inefficiency.

Mr. Ginwala.—It is for 1923, but what about previous years?

Mr. Carr.—About $6\frac{1}{2}$ tons. The Home mills say they use only $2\frac{1}{2}$ tons and we work at $6\frac{1}{2}$.

Mr. Ginwala.—We have got a mill here which consumes only $4\frac{1}{2}$ and some other mills use 5 tons per ton of paper.

Mr. Carr.—There again we shall be using more when we use more grass which we do not use when we use pulp. That is where the economy of pulp comes in.

Mr. Ginwala.—The mill which is using $4\frac{1}{2}$ tons coal does not use much imported pulp.

Mr. Carr.—It is a matter of boiling jute with lime: they only want about 25 to 35 lbs. pressure.

Mr. Ginwala.—I am rather inclined to think that $6\frac{1}{2}$ tons is a good deal more than you ought to use. That is the highest figure we have got yet. If you save even one ton it means a lot.

Mr. Carr.—We are working as hard as we can to do that.

Mr. Ginwala.—As you will find from the papers, when they are published, that is even a good deal more than the Indian consumption. It should not be so. Do you put it down all to inefficiency?

Mr. Carr.—To what else? We do not get the full heat out of it. That is the only way we can explain it.

Mr. Ginwala.—You get your coal direct from the collieries. Is there no leakage between the works and your collieries?

Mr. Carr.—There are two or three miles.

Mr. Ginwala.—I came across a case in which there was a leakage of about 15 to 20 per cent. before it ever reached the factory.

Mr. Carr.—I know of a bad case in Calcutta.

Mr. Ginwala.—The point certainly requires examination.

Mr. Carr.—Yes.

Mr. Ginwala.—Supposing we were to work out a reasonable cost of production in the country, not with reference to any particular factory at present, but a representative factory, should we be justified in taking 5,000 tons of finished paper as the unit?

Mr. Carr.—I should think it is quite a fair economic unit.

Mr. Ginwala.—Now supposing bamboo figures turn out to be more favourable for the production of paper in this country than grass or any other material, would the Board be justified in taking the bamboo pulp as the representative article for the purpose of judging what the cost ought to be of producing paper in this country.

Mr. Carr.—It is difficult to say because bamboo would not make the same class of paper at present. I won't say whether it would be better or worse.

Mr. Ginwala.—Supposing that bamboo paper is capable of supplying all the reasonable requirements of the country, would not the Board be justified in taking the bamboo pulp as the basis of manufacture for judging the cost of production in this country?

Mr. Carr.—I imagine that, if its effects are better than grass, we shall all be using it in a greater degree.

Mr. Ginwala.—The question is this from the country's point of view. Supposing grass pulp paper cannot be produced at anything below Rs. 560 a ton in the country whereas all the paper made of bamboo pulp costs Rs. 450, why should the country pay Rs. 50 more? What is your opinion in that case?

Mr. Carr.—I am not justified on this consideration to ask for protection on grass paper.

President.—If the Board is satisfied that the baraboo proposition is really good and the most satisfactory, efficient and economical way of making paper in India, in that case you think we are justified in making our recommendations on the basis of bamboo?

Mr. Carr.—I think so.

Mr. Ginwala.—I notice one thing. These figures are not in detail, but from what one can see, if bamboo and grass pulps both produce similar classes of paper, there would not be room enough for the two. There are several kinds of paper which are not manufactured in this country.

Mr. Carr.—The Sulphide pulp people at Home make good papers to try and substitute for grass but still the grass mills are drawing their supply from Africa. Grass is required for certain demands. As I said yesterday I do not presume that 90 per cent. of the industry will be built on grass.

Mr. Ginwala.—What sort of market is there now that the Indian manufacturer can capture—e.g., packing paper 8,000 tons roughly in 1922-23? Can the whole of that market be captured by the bamboo or the grass people?

Mr. Carr.—Grass would not do, but bamboo might. Grass is too expensive; we can make them from jute.

Mr. Ginwala.—Then there is printing paper about 19,000 tons. Of that I take it a good deal must be newsprint.

Mr. Carr.—I think newsprint comes under that.

Mr. Ginwala.—How much of that would you estimate for newspaper?

Mr. Carr.—My own estimate is about 4,000 tons of news come in, but that is very much lower than what Mr. Muir told me yesterday. They think that about 9,000 to 10,000 tons come in.

Mr. Ginwala.—Writing paper and envelopes—of these not much is manufactured?

Mr. Carr.—We have a stationery plant.

Mr. Ginwala.—Would the Indian manufacturer capture the whole of this market of 8,000 tons?

Mr. Carr.—There will always be people who would want higher classes of paper for writing.

Mr. Ginwala.—Whether we take grass or bamboo, we must take the cheaper material to start with as being good for the country. Having taken that the question arises, when there is already a market for the local product of 33,000 tons, how much additional market this industry can capture. In calculating the cost of production we must take the bigger output.

Mr. Carr.—I made a calculation of 90 per cent. and I did answer the question.

President.—You gave that figure undoubtedly, but it does not seem to be justified unless you make some packing papers.

Mr. Carr.—We do make them, but Mr. Ginwala asks whether we can do it from grass. Packing papers cannot be made from grass. It might be made from jute and other things and possibly from bamboo.

Mr. Ginwala.—Are these costs of production kept separately for different kinds of materials—Jute, hemp, rags and so on?

Mr. Carr.—We shall give you the cost of each class of paper.*

Mr. Kale.—You say in answer to question 110 that the works cost of 1923 was increased considerably by the low output arising generally from labour.

* See Statement II (vii).

working slow. I cannot understand what you mean. Why did labour work slow in that particular year? Was there any special reason?

Mr. Carr.—They were better in 1924 than they were in 1923 and 1923 was as bad as 1922. My opinion is what they are earning is in excess of their standard of living, and the result is that they do not attend regularly, and unless they do attend regularly we cannot have our machines running. Things are improving a bit: possibly it is due to crops having not been too good just in the immediate locality which makes people keener about money.

Mr. Kale.—It is a temporary cause?

Mr. Carr.—I do expect an improvement, given an improvement in the standard of life.

Mr. Kale.—Will that lead to improvement in efficiency?

Mr. Carr.—Yes.

Mr. Kale.—In the figures that you have given in answer to question 111, the last item is "All other items—Rs. 21"; what is the corresponding item in table IV? You have not given anything there.

Mr. Carr.—It does not come in there.

Mr. Kale.—Here you have got all other items—head office, interest, packing "Rs. 21."

Mr. Carr.—Packing comes under 7 there.

Mr. Kale.—And the other expenses are covered by Rs. 21?

Mr. Carr.—Supervision, etc., is there.

Mr. Kale.—You mean that Rs. 21 is distributed over the other heads there in that table?

Mr. Carr.—I believe that is right.

Mr. Kale.—With regard to your ordinary current repairs you hope that there will be a reduction. There has been an increase of 133 per cent. between 1917 and 1923. How do you expect that there will be a reduction? On what account will it be?

Mr. Carr.—Prices are dropping a little and the incidence will fall with the improvement in outturn.

President.—What I endeavoured to do was to obtain, on the basis of the figures you have given for the various items of overhead charges, a figure for a typical all-in cost. We have taken Rs. 480 a ton as what the works cost is likely to be. Working on an outturn of 8,000 tons and taking the working capital at Rs. 15 lakhs as you have given, if you divide that all by 3,000 tons I arrived at the figure of Rs. 15 a ton as interest on working capital in the all-in cost. Have you got any figure?

Mr. Carr.—That is about double of what was paid as interest last year.

President.—What must be happening at present is part of your working capital is provided from your own resources. What you actually pay as interest has no particular relation. In one way or another you are incurring this cost of Rs. 15 lakhs?

Mr. Carr.—Yes.

President.—Depreciation I calculated roughly at $6\frac{1}{2}$ per cent. on the figures you have given as the present-day cost of a mill having the same outturn, between buildings and machinery at an all round rate and I arrived at a figure of Rs. 40 a ton as depreciation. I have left out the agency commission but head office expenses I take at Rs. 10 a ton, that is reducing the head office expenses a little you make Rs. 9,000, I take it, on Rs. 80,000. Manufacturer's profit I take at Rs. 75 a ton. That brings the all-in cost to something like Rs. 620. Is that anywhere near what you at present calculate your all-in cost? Is it in the right neighbourhood?

Mr. Carr.—Our present all-in cost is not as high as that.

President.—The amount is a little higher because I have taken it on a higher output than you are getting.

Mr. Carr.—It would be somewhere near Rs. 544.

President.—The point is this that on the figure I took I arrived at a final total of Rs. 620 a ton which is equivalent to Re. 0-4-5 per pound. Is what you are aiming at in making the proposal of 25 per cent. the average price or something like that?

Mr. Carr.—Very much less than that.

President.—Well, it does not seem to me that 25 per cent. on the figure you yourself have given is adequate. Let me put it this way. What is the average price you are making? What would you expect to get if the 25 per cent. duty is put on?

Mr. Carr.—I could not answer that straight off. It is a matter of calculation.

President.—It is rather important. Before you put forward a particular request for protection, you must be able to show what you expect to get.

Mr. Carr.—It is very difficult to say. We may be taking a certain percentage on printing paper, we may be taking a bigger percentage on *badam*. I am afraid I cannot give you the average price.

President.—Can you tell us what is the average price which you would get for each of the different kinds of paper?

Mr. Carr.—I have not considered that.

Mr. Ginwala.—On a factory with an output of 5,000 tons what would you consider to be a reasonable amount of working capital?

Mr. Carr.—I am afraid I cannot say that off-hand.

Mr. Ginwala.—Do you think 6 months turnover will be a reasonable amount?

Mr. Carr.—I should think so.

Mr. Ginwala.—Agents' commission you have taken as 15 per cent.: of course there are unusual circumstances, but what would you consider as the normal amount?

Mr. Carr.—10 per cent.

Mr. Ginwala.—How is it calculated? We find in some cases it is calculated without making allowance for depreciation.

Mr. Carr.—That is given in answer to question 126.

Mr. Ginwala.—If that is a fair way of calculating agents' commission, depreciation and interest on debentures has to be paid in any case, has it not?

Mr. Carr.—Yes.

Mr. Ginwala.—I would like to know what is the percentage of net profits.

Mr. Carr.—In paper mills? सत्यमेव जयते

Mr. Ginwala.—Take business generally.

Mr. Carr.—A good many of the concerns get commission on revenue. 10 per cent. on profit for coal companies is general.

Mr. Kale.—Will you please tell us something more about this 5 per cent. more "being paid owing to the managing agents having saved the Company from liquidation" and so on? Is it remuneration for the actual capital that was provided by the managing agents?

Mr. Carr.—Two mills had just been liquidated and our mill was going in exactly the same direction. We put up the scheme to the shareholders and their attitude was such that there was no other way of saving it unless we provided the money ourselves, and we did so on certain terms and one of the terms was 5 per cent. extra on profits.

Mr. Kale.—So that is for saving the Company from ruin? Is it saving or is it interest on capital?

Mr. Carr.—We get no interest on capital.

Mr. Kale.—The interest you had to pay in getting the capital? What was the service that you rendered to the Company?

Mr. Carr.—We supplied the capital, took up the debentures and supplied working capital.

President.—I think it is rather important that we should know what is the total amount the managing agents have drawn in commission.

Mr. Carr.—In how many years?

President.—It is most convenient to have it since the time of reorganization, that is 1904, because 15 per cent. is an unusually high rate.

Mr. Carr.—I will send you the information.*

XI.—CLAIM FOR PROTECTION.

President.—I am not quite sure that I understand what you say in answer to questions 133(a) and (b). After all 133(a) is merely this that the paper industry is not one of the industries where large scale production means economy. I gather that you do not think it is.

Mr. Carr.—No.

President.—That is to say, assuming that 5,000 tons is an economic unit of production, you would not gain very much in economy if you had a larger factory with an output of 10, 15 or 20,000 tons.

Mr. Carr.—I should think that ours is an economic unit.

President.—In (b) you say "We do not think the supply of all India's requirements from Indian manufacturers is a practical proposition." Is that a general statement applicable to all industries or is it applicable only to the paper industry?

Mr. Carr.—To the paper industry.

President.—On the other hand you say "There is no reason why we should not produce 90 per cent. of our requirement."

Mr. Carr.—That is right. I think it can be worked up to that. Probably in course of time the whole need of the country can be supplied.

President.—Why is it not a practical proposition?

Mr. Carr.—It is not so for the immediate future.

President.—Do you think 90 per cent. is a practical proposition?

Mr. Carr.—I think that can be arranged for.

President.—You say "The paper industry seems to be peculiarly suitable for Indian economic conditions, in so far that the large proportion of labour used in its production, from the collection of raw materials to the handling of the finished produce, requires no skill, while the skilled labourers require no exceptional qualifications in the way of physique." On the other hand you tell us that you have been unable to make any progress in 20 years in reducing your European labour. In so far as that is due to insuperable difficulties, it is evidence that the paper industry is not well-suited to Indian economic conditions.

Mr. Carr.—I mean there is not the supply of people who could do the supervision in this industry as in the case of a great many other industries at present.

President.—Any industry in which no progress was made in 20 years in that direction must for the same reason be unsuitable to India.

Mr. Carr.—Does this conclusion apply to Jute?

President.—It may be that there are disadvantages in these industries which are counterbalanced by very large advantages on the other side, but these are not before me as they have not appealed for assistance. All I am pointing out to you is that if you have not been able to make any progress in 20 years, one inference that can be drawn is that there is something in the industry which is not quite suited to Indian conditions.

Mr. Carr.—It is only with regard to the 14 hands out of 1,200 we employ. The others have proved themselves eminently suited. All our machinemmen are Indians. It is only the supervision that is European.

President.—But look how expensive the supervision is.

Mr. Carr.—It is Rs. 24 a ton.

President.—The fact is susceptible of other explanation but still it is a point to be borne in mind. Then you say in answer to question 136 that "We consider protective duty should be imposed on all classes of paper" and the reason you assign is that if that is not done certain kinds of paper, newsprint for instance, would be used, if they were left out, for purposes for which Indian manufactured paper is at present used. Well, I think what you are chiefly concerned about is that protective duty should be imposed on all the low valued papers, but you would not be so much concerned if it were merely proposed to exempt bank papers and high class papers of that kind.

Mr. Carr.—We are making medium bank paper and they would certainly do for the highest class of bank papers and they are improving.

President.—I am going on the answer given yesterday that high class papers, for which linen rags would be required, could not be made in India.

Mr. Carr.—That is so.

President.—Let us assume an enquiry was made and it was ascertained quite clearly what was made or was likely to be made in India and that certain kinds of paper—the highest class of paper—were found not likely to be made in India, would it really affect you if these were left out?

Mr. Carr.—I don't think so.

President.—Therefore what you are mainly concerned with is that none of the cheaper papers should be left out?

Mr. Carr.—Yes, the papers that we can make.

President.—Now here you particularly ask that papers that you cannot make should be included.

Mr. Carr.—Newsprint, yes.

President.—The general principle that we have followed so far in the Tariff Board is that we did not consider it advisable to put protective duties on articles which are not produced, or are not likely to be produced, in this country. On the other hand, we have admitted the principle in the case of our steel enquiry that protective duties should be placed on articles which compete with articles made in India, even though they themselves are not made. For instance wrought iron bars are not made in this country, nevertheless we proposed a duty on them, because at a certain price they would be able to compete with steel bars. What we say about newsprint is analogous to that. But if the difference in price to the newspapers became something very serious, and if they were able to show that the result might necessitate very serious change in the conditions under which they were published, how is the Tariff Board to meet a question of that kind? After all it is a difficulty, because it is possible that a higher duty on newsprint might very seriously affect the conditions of publication.

Mr. Carr.—Not of newspapers.

President.—It might.

Mr. Carr.—Not by 10 per cent.

President.—It is surely for them to answer that. I must ask you to proceed on the assumption that it might affect them. After all it is for them to tell us what the effect would be. I do not know what the effect is going to be, but would it not be necessary to weigh one interest against the other?

Mr. Carr.—Yes.

President.—Supposing we raised the duty on every class of paper to 25 per cent. leaving newsprint at 15 per cent., for what purposes do you think it would be used for which it is not used at present?

Mr. Carr.—As scrap paper, the cheapest paper in the bazar, cheapest printing and things of that sort.

President.—Do you happen to know what the present price of newsprint is?

Mr. Carr.—I do not know the bazar price.

President.—What we are getting at is this. Let us take it this way. Is newsprint in the bazar to-day actually cheaper than the kinds of paper that you think might be used?

Mr. Carr.—I don't think newsprint can be had in the bazar to-day. I think it comes in reels.

Mr. Ginwala.—Not necessarily. Of course big people who have got rotary presses must have it in reels, but the ordinary printing press get it from the bazar.

Mr. Carr.—I am afraid I do not know.

President.—I think it is up to the manufacturers of paper, if they apprehend this consequence to follow, to compare prices and show what the effect would be. It is not enough for you to say in a general way that you think it will happen.

Mr. Carr.—I can give you the c.i.f. price.

President.—What I want to know is, the present price of certain papers made in India is so much, the present price of newsprint is so much. If the duty on certain kinds of paper is raised we shall be able to get a slightly higher price for our paper so that difference between our price and newsprint will be so much. I want this sort of information. I want to know exactly what the duty is going to mean to you.

Mr. Carr.—Newsprint is 2½d. as against 3½d.

Mr. Ginwala.—There is a difference of about a penny?

Mr. Carr.—Yes.

President.—I think it is desirable that you should develop that a bit more. Your view may be correct, but you have got to give us more evidence.*

Then, in answer to question 140 you say "We trust our various replies have made it clear that the paper industry's petition for protection is based on the question of dumping and consequently has nothing to do with the years it has been established." From what you said yesterday I gathered that was your case, but I must add that apart from this one answer and apart from your oral examination yesterday, I should not have gathered from your representation that that was your position because it amounts to almost an abandonment of the attempt to justify your case for protection. The principle laid down by the Fiscal Commission definitely did contemplate the development of an industry to a larger and larger extent as time went on to supply the needs of the country. That is the kind of industry they were thinking of. I admit that you have in some of your answers tried to prove that your industry satisfies these conditions, but here you are almost going back upon it. After all, if your case is that it is only dumping that you have to fear, you must produce a great deal of evidence about dumping.

Mr. Carr.—That has not been raised at all in the questionnaire.

President.—Even in your original representation there is not much evidence.

Mr. Carr.—We have got invoices to show what might be called an unfair competition.

President.—I might put it this way not because I want you to develop this side. You are at perfect liberty to give us any more information on this side which you can, but I rather want to explain the way I look at it. First of all it has got to be established that the protection of an industry is in the national interests. Once that is established, it does not seem to me to matter what is the precise reason of the necessity or how the need for protection has arisen. That seems quite a subsidiary point. But the main point is whether protection is justified. If it is, it has got to be given, whatever the cause of the low prices. That is the sort of general way in which we have been tackling the problem. However, if you think that you can give us any more information about dumping, we shall be glad to have it. Personally I don't regard it as a very important side of the case.

Mr. Carr.—No.

President.—In your last answer you say "We see no conflict between the claims for protection of paper and of pulp, although the latter is raw material to the former; we feel that our arguments in favour of protecting the paper

* Statement V, para. 7.

industry would be considerably weakened were we to object to the increase of duty on pulp." It will raise your cost if a duty is imposed on pulp.

Mr. Carr.—It will make us change from imported pulp to indigenous pulp.

President.—Supposing this duty were put on—and it could only be imposed on the basis that the Board, the Government of India and the Legislature were satisfied that the bamboo proposition was a sound proposition—it would make you change to bamboo pulp. Would you make your own pulp from bamboo, or would you purchase it from somebody else?

Mr. Carr.—We should probably make our own.

President.—Well, the difficulty to me is that you get to the paradoxical state of affairs. Directly the duty is put on, there will be nobody to purchase pulp in India. You will all be making your own. What is the good of the duty?

Mr. Carr.—I have tried to explain that it seems to me to be unreasonable to ask for a 25 per cent. duty on paper and allow the Swedish pulp to enter the country freely.

President.—This is what you say "Protected paper and free pulp would likely lead to the establishment of a paper industry based on foreign materials, and this is not in the interests of the country." Does not this rather give away the whole case for grass? It is actually cheaper to manufacture paper out of imported pulp and compete successfully.

Mr. Ginwala.—If a protective duty is put on paper and if pulp is allowed to enter the country free of duty, it may be more remunerative for the foreign manufacturer to manufacture his paper out of the imported material in this country.

President.—If he could do that successfully, that must mean that grass is a very expensive material.

Mr. Ginwala.—If paper is protected?

Mr. Carr.—I have said what it seems to me must follow from any protection. You are transferring your competition from the imported finished product to the raw material in the country. If you protect paper, there will be an expansion of the industry and there will be competition for the raw material in the country.

President.—I am afraid I don't quite follow.

Mr. Carr.—If you protect the industry here, there will be more concerns started up and that will lead to competition for the raw material. So, we escape competition in finished products to some extent at the price of increased competition for raw materials. I don't see how we can get away from that.

President.—On that basis grass is, or will become, much more expensive.

Mr. Carr.—It does not mean that we will always be using grass.

President.—Mr. Ginwala told you that we would be justified subject to certain conditions in treating the case for protection as dependent mainly on the utilisation of bamboos in India, and I am really getting at the same point from another angle.

Mr. Carr.—I agreed to it yesterday. When Mr. Ginwala mentioned that point yesterday I remember saying that we never thought that we would be able to build up a huge industry on grass.

President.—You ask at the end of your answer that, if it is decided to levy a duty on pulp such duty may not come into effect for a period of two years. At the outset there would be nobody to sell pulp and it would take some time to put up the necessary works for increasing the supply of bamboo pulp. The result of putting a duty on imported pulp would be to expedite the development of the bamboo pulp industry, but not on the basis of establishing an industry which did nothing but make pulp. That would be the ultimate effect. The immediate effect would be to increase the costs of Indian paper manufacturers.

Mr. Carr.—If you gave us a protection of 25 per cent. we should probably be returning 4 per cent. It would not give us a protection of more than 21 per

cent. If you put 20 per cent. duty on pulp which is one-fifth of our raw material, that would practically increase our cost by 4 per cent.

President.—The point that requires very careful examination is this. After all, to put an import duty on a commodity which is not produced and sold in India is unusual. As far as I know no economic books deal with facts of that kind. It is rather a paradoxical case. It might operate in quaint and unexpected ways.

Mr. Carr.—Does it not stand the steel analogy?

President.—I have brought in my steel analogy in the case where you propose to put a duty on newsprint paper, because it might compete with the kind of paper which you manufacture. Both newsprint and your paper are at present and will be in the future bought and sold in India. But the point I am making is that nobody will sell and nobody will purchase pulp. Each manufacturer will make it for his own use.

Mr. Carr.—There is a possibility of export trade from India in bamboo pulp.

President.—If export is possible, it is wholly needless to put an import duty on pulp.

Mr. Carr.—Even after the first two years?

Mr. Ginwala.—With regard to the question of raw materials: I want to be perfectly clear. You don't lay emphasis on the protection of paper manufacture out of a particular raw material.

Mr. Carr.—No.

Mr. Ginwala.—If the Board find that the only raw material which satisfies all the conditions is bamboo, will you agree to the Board recommending the protection of paper on the basis of the cost of production of paper from bamboo.

Mr. Carr.—No. I thought you said on no particular material.

Mr. Ginwala.—Supposing we found that bamboo was the only practical proposition, and that no other material which the paper manufacturers use can produce paper as cheaply as bamboo, what is your position?

Mr. Carr.—You are simply saying that there is nothing better in India than bamboo. That would stop all progress.

Mr. Ginwala.—Why?

Mr. Carr.—If you only protect paper made from bamboo it would stop all progress.

President.—Mr. Ginwala is not suggesting that only paper made from bamboo should be subject to protective duty.

Mr. Carr.—That was what I understood.

President.—What he means is that the measure of protection should be ascertained on the basis of the use of paper made from bamboo.

Mr. Carr.—I do admit that.

Mr. Ginwala.—With regard to Question 133: what we mean is that in industries production on a large scale leads to a reduction in the cost of production.

Mr. Carr.—Yes.

Mr. Ginwala.—If you combine the two processes in one place, that is to say, if you manufacture pulp and paper at the same place, I can quite conceive that economy may not be possible by merely increasing the output, but supposing pulp is produced in the vicinity of the raw materials, as it is done in some other countries—supposing you yourself went to Burma and established a pulp factory and made pulp only and brought it down to another place where you could convert it into paper—would not that lead to economy?

Mr. Carr.—There is the question of freight and capital charges, also supervision and various other things.

Mr. Ginwala.—Supposing you manufacture yourself pulp at Cuttack on a very large scale and bring it up to Calcutta where you have a factory to convert it into paper, would it not be more economical?

Mr. Carr.—It would depend on capital charges and various other things. If you are going simply to make pulp in Cuttack and make it into paper at Calcutta, it is a question whether you will take it to Calcutta as dry or wet pulp.

Mr. Ginwala.—I could not tell you that.

Mr. Carr.—That is a matter for consideration.

Mr. Ginwala.—That is the way in which the industry has expanded in many countries.

Mr. Carr.—Generally the pulp and paper industries are separate.

Mr. Ginwala.—Take the case of England. In the case of Esparto paper she imports grass. In the case of wood pulp she finds it cheaper to import pulp. Why should not India do the same?

Mr. Carr.—I have not considered that point.

Mr. Ginwala.—I wanted to know whether that would not be cheaper.

President.—In the same connection: in the case of Scandinavian mills I take it that they are run by electricity. In India it may not be possible always to use electric power, except in localities like the Western Ghâts. If the question of coal comes in, then the proposition which Mr. Ginwala is putting to you becomes much more difficult and that is the aspect of the case which you might, while thinking it over, keep in view, how far Indian conditions admit of the separation of pulp manufacture from paper manufacture. You may have considered it in connection with the Cuttack plan which has not materialised, but that aspect of the case must almost certainly have been considered by your people when they considered whether they would make pulp at Cuttack or at Ranigunge.

Mr. Ginwala.—Is it not the opinion of experts that the manufacture of pulp is a better commercial proposition on the whole than paper, only because the chances of exporting paper are smaller than exporting pulp?

Mr. Carr.—I think that the majority of Government experts generally take paper prices as a level for showing the return.

Mr. Ginwala.—What I meant was that the export of pulp was a more commercial proposition for India in the future than the export of paper.

President.—That is looking a long way ahead.

Mr. Carr.—Quite.

Mr. Ginwala.—There has always been at least a penny difference between the newsprint price and the lower grades of printing paper.

Mr. Carr.—At least I should say: before the war they used to get it at about 1/10 in their godowns.

Mr. Ginwala.—It did not very much lead to the substitution of newsprint for ordinary printing paper?

Mr. Carr.—No.

Mr. Ginwala.—Why do you anticipate that a difference of 10 per cent, which would be about three pies, would lead to more substitution?

Mr. Carr.—If you put a protective duty on paper, it would put the prices up. Directly the prices go up, the first thing that the consumer does is to see whether he can save on paper and he goes for a worse quality.

Mr. Ginwala.—So far it has not had that effect. There has been a big margin.

Mr. Carr.—That is shewn in our sales. Firms and companies go for a lower quality of paper. Take even Government. They cut down the quality of the paper trying to economise.

Mr. Ginwala.—As regards bigger newspapers they do their own importing?

Mr. Carr.—Yes. They get favourable rates.

Mr. Ginwala.—The vernacular Press, I think, use very often either locally made paper, so that there is a very small percentage left, or they use the newspaper print which is got in the bazar.

Mr. Carr.—I think so. As far as bazar conditions are concerned, I am not a closely informed witness.

Mr. Ginwala.—I have heard it stated that you cannot substitute newsprint very largely for printing paper.

Mr. Carr.—It won't last long.

Mr. Ginwala.—Most of the printed matter is expected to be preserved. It is not likely that a man would use newsprint.

Mr. Carr.—No.

Mr. Ginwala.—It may be used for hand bills and things of that kind.

Mr. Carr.—Yes.

Mr. Ginwala.—With regard to your answer to Question 137: you have not made any proposal as to what the Tariff Board would do if it was in existence. You simply say that the Tariff Board will be in existence to receive representations.

Mr. Carr.—We do not know the conditions that may arise.

Mr. Ginwala.—Have you followed what they have done in the case of steel? They have given power to the Governor General to vary the amount if the industry does not get protection which it is intended that it should get.

Mr. Carr.—When we wrote this, we simply had in our mind the big débâcles in exchange which might make it necessary for us to go to you.

President.—There is this difficulty. It is quite definitely assumed in the scheme of offsetting duties that was adopted in the last Bill that it should be possible to ascertain the price of the imported article. It is an extremely difficult thing to ascertain in the case of paper.

Mr. Carr.—Take our own mills. We have six or seven kinds of paper varying from Rs. 400 to 800 a ton. An average would not apply efficiently for the difference is so big.

Mr. Ginwala.—With regard to Question 141, is it not inevitable that, if paper is protected in this country, pulp also must be protected? The idea of protection is that you should use indigenous materials.

Mr. Carr.—In order to conform to the Tariff Board's requirements the duty on pulp seems to me to be a corollary.

Mr. Ginwala.—Otherwise, as you pointed out, foreign firms may establish factories and use foreign pulp and convert it into paper, so that, when the price of paper goes up in consequence of protection, they will reap the full advantage. They are doing it in the case of matches. It remains to be seen how far they are going to succeed.

Then you say that the duty on pulp should not be imposed for two years.

Mr. Carr.—Give us time to get the mills in order to use indigenous materials, and it will save any increased struggle.

Mr. Ginwala.—Supposing paper gets protection and no step is taken to protect pulp, the question of vested interests and things of that kind may arise.

President.—I think what Mr. Ginwala contemplates is that legislation will be passed giving power to the Governor General in Council to give effect to the increased duty on pulp by notification after time has been given to the manufacturers to prepare.

Mr. Carr.—That is right.

Mr. Ginwala.—That of course is the same thing.

President.—It would warn the industries.

Mr. Carr.—It would enable the pulp manufacturers to go ahead.

Mr. Kale.—From the answers that you have given to questions it appears as if you wanted protection only against what you call dumping. For instance, if it were proved to our satisfaction that foreign manufacturers of paper are selling paper in this country not below but at a decent profit, you won't claim protection?

Mr. Carr.—That is so. This questionnaire, as you say, has been answered with that in mind. We believe that we are capable under present day conditions of meeting competition from other countries at their average cost of production, but when they give us their surplus production and when they have rebates on freight as they had in 1914 in Germany, and when they have depreciated exchanges as in the case of Austria and Germany, then we cannot meet that competition.

Mr. Kale.—I am afraid that you are taking a serious risk when you say that if the Tariff Board is satisfied that the foreign manufacturers are not selling their goods in this country at cost price *plus* a decent profit, then the industry would not require any protection.

Mr. Carr.—That is the attitude I took before the Industrial Commission and the Fiscal Commission, and I hold it to-day.

Mr. Kale.—In the case of other industries what they are likely to say is this, that for some years to come they will not be able to compete with foreign manufacturers even when there is not the so-called dumping, and that they want protection for a temporary period because there are certain difficulties which they want to overcome during that period.

Mr. Carr.—That is not my claim.

Mr. Kale.—In answer to Question 139 you say that the effect of an additional duty of 10 per cent. will not be to raise the price of paper.

Mr. Carr.—It won't allow us to raise our prices, but it will of course give us a better return in so far as we shall be selling more of our output near our mill instead of having to send it to upcountry markets as I explained yesterday.

Mr. Kale.—Are not your prices governed by the prices of foreign paper that comes into the country?

Mr. Carr.—Yes.

Mr. Kale.—If that is so, and if prices go up as a result of an addition of 10 per cent. duty, will you not have margin and you may perhaps increase your prices and bring them up to the level of prices of foreign paper?

Mr. Carr.—Our prices are already higher as I pointed out.

Mr. Kale.—Only slightly?

Mr. Carr.—We can maintain that.

Mr. Kale.—What is there to prevent you from raising your prices?

Mr. Carr.—I don't think that we can get them. I don't see any chance of getting higher prices.

President.—What was the duty before the war?

Mr. Carr.—5 per cent.

President.—At that time you got three pies more than the importer?

Mr. Carr.—Yes.

President.—When the duty has been raised to 15 per cent. you are still getting the same three pies. If the duty is raised to 25 per cent., you will probably still get the same. One increase in duty has left that unchanged, and the natural inference is—and indeed it seems to be from the nature of the case—that you may not get the full amount. It is very difficult to say, but there must be some increase in the price.

Mr. Ginwala.—You got these same three pies more from Government because of certain facilities.

Mr. Carr.—That advantage will always remain with us.

Mr. Kale.—As regards your answer to Question 138 about the handicap you are suffering from in the matter of import duty, freight, etc., that is a handicap from which you are suffering. But will it not happen that some mills in Bombay will cater for that market?

Mr. Carr.—As I said, if protection came in, we should sell our output much nearer our mill and Bombay would draw their supplies from mills near at hand.

Mr. Kale.—That is what I am pointing out.

Mr. Carr.—That seems to me to be the natural result of protection.

President.—There are various allegations made against you in the representation from John Dickinson & Co. We have no time to ask you questions on that. If you like, you can please send us a note.

Mr. Carr.—I shall send it to you from Calcutta.*

* See Statement II (viii).



सत्यमेव जयते

**Evidence of Mr. H. W. CARR, and Mr. A. L. McLATCHIE,
recorded at Calcutta on Friday, the 19th December 1924.**

President.—We will begin to-day with the statement* you have handed in. It puts together a lot of information in a convenient form and we are very much indebted to you for preparing it. There are certain questions I want to ask. First of all, on the first page you give the c.i.f. price. That is rather what you believe to be the current c.i.f. price, is it not?

Mr. McLatchie.—Yes. For instance for white printing we had £31, we have revised it to £28 according to the Stationery Office quotations.

President.—Tenders for Government may be a bit lower than the price of paper imported in the ordinary course of business. Would there usually be a difference of £3 between white printing and wood-free printing?

Mr. McLatchie.—I should think that if it is a quotation for Government contract it would be a bit lower.

President.—So that it may be between £29 and £29-10s.?

Mr. McLatchie.—Yes.

President.—Then we come to the import charges and you have given the details which go to make up a total of Rs. 37-8-0.

Mr. Ginwala.—This Rs. 37-8-0 does not include any profit for the importer, does it?

Mr. McLatchie.—No.

President.—In three columns headed "Importer's Cost" you have simply converted to annas per lb. the three previous columns at Rupees per ton?

Mr. McLatchie.—Yes.

President.—Finally we get to the last column "Selling price of importers." Are these what they are actually selling at to-day?

Mr. McLatchie.—Yes, for small quantities.

President.—Are these the prices when selling *ex-godown*?

Mr. McLatchie.—Yes. But if they had offers of large orders and there was a big difference between the imported selling price and the selling price of Indian paper, they would cut prices. Their selling price is largely regulated by the Indian mills selling price. They have a difference of 7 pies to-day in machine finished printing. You see that they can cut down to 6½ pies and still make a small profit. The price we give is what I understand they ask for small business.

President.—Are they gross or net?

Mr. McLatchie.—I think they are net, but here again if they are anxious for the business, there is such a big margin that they can give discounts.

President.—For large orders it might be almost down to what you call importer's cost, and according to the size of the order it might be anything between the importer's cost and the selling price, is that what you mean?

Mr. McLatchie.—Yes.

President.—We were trying to take a sort of average. Would it be about half way between the two or a little nearer the selling price?

Mr. McLatchie.—It depends largely on the keenness of the seller with regard to the order, and the Indian mill price.

President.—Do you vary prices according to the state of the market for the time being?

Mr. McLatchie.—Yes.

President.—In that case, when there is nothing to tell you whether it is one way or the other, it is better to take it half way?

Mr. McLatchie.—If they get the same class of paper then the prices are correct.

President.—The dealers were strong about it that they hardly ever made a loss on imported paper. That is what the Paper Traders' Association told us. However, I think I now understand pretty clearly what the figures mean on this page.

Mr. Ginwala.—How do you get this selling price of importers that you have given here?

Mr. McLatchie.—We have just had that given to us by various dealers and we had them checked. Several of these importers also deal with our papers and we are very friendly with them.

President.—You think these figures may be taken as fairly reliable?

Mr. McLatchie.—Yes.

Mr. Ginwala.—How do you get these c.i.f. prices?

Mr. McLatchie.—These are actually taken from invoices shown to us of particular imports in some cases; in other cases they were obtained from telegraphic information we had from Home. They were further adjusted according to recent Government contract prices received for certain lines.

President.—Which are the classes that you give against Government contracts? Are they white printing and cream-laid?

Mr. McLatchie.—Not cream-laid. Government only called for white printing and cream-wove.

President.—It is rather important that we should find out whether the import prices have really been affected by the rise of the exchange to 1s. 6d. If these figures are taken from invoices it does not necessarily follow that it is on the 1s. 6d. basis. The purchaser might have sent his order six months ago and get the invoice to-day.

Mr. Carr.—As far as I can see they are operating to-day. In the ordinary course of business orders would be placed and remittances would be made at the present rate. Remittances come into operation at the current rate of exchange not based on Indian currency but the British currency.

President.—On the other hand, the importer might cover the exchange. In that case even if the exchange was 1s. 6d. he might have to pay at 1s. 5d. In our last enquiry we were told that the European firms covered their exchange but the Indian firms did not. Most of the importing firms, apart from those who are manufacturers in England or Europe, are Indian firms?

Mr. Carr.—Yes.

President.—Is it their practice usually to cover their exchange or not?

Mr. McLatchie.—We have no information.

President.—My point is this. Do you anticipate that these selling prices that you have given are likely to fall a little owing to the fact that payment will in future be made at 1s. 6d. exchange?

Mr. McLatchie.—The 1s. 6d. rate is now in operation. For instance, the cost figures given by the dealers is 4 annas $1\frac{1}{2}$ pies to 4 annas 2 pies and their selling prices are 4 annas 9 pies, so they must be working at 1s. 6d.

Mr. Ginwala.—One very rough guide would be your own realised price within the last few months.

Mr. Carr.—I am afraid our average figures would not give a fair indication because we have rather mounted up stocks in order to maintain the market. This month there is a bigger decline.

Mr. Ginwala.—What is the average realised price you have taken for the output of the mill?

Mr. Carr.—Rs. 545.

Mr. Ginwala.—And that has declined to Rs. 520?

Mr. Carr.—Last month it was Rs. 520. This month we got Rs. 505.

Mr. Ginwala.—This is just about 8 per cent.?

Mr. Carr.—Yes.

President.—It is for you to tell us whether, supposing the exchange remains steady at 1s. 6d. from now onwards, you think that the selling price of the importers are likely to decline generally.

Mr. Carr.—It will decline further because we have not exercised the full cut yet in getting rid of stocks, and with the full cut we will get nearer to 4 annas 2 pies than 4 annas 9 pies.

Mr. Ginnwala.—That is to say, it is possible that they may drop down to 4 annas 2 pies?

Mr. Carr.—Personally we do not expect to see a lower price unless it is due to exchange, and we do not expect foreign papers to come here cheaper than they do at present.

President.—I quite understand that it is reasonable to believe that in this c.i.f. price there will be no substantial reduction. We recognise that. But there is just this point, whether you anticipate a fall in the rupee price in India simply due to the fact that this 1s. 6d. exchange may not fall?

Mr. Carr.—I anticipate that from 4 annas 9 pies it will fall to 4 annas 6 pies.

President.—That would leave 4 pies as profit and they have not got so much margin to cut further, and therefore they are getting near the point where they will have to stiffen their backs a little?

Mr. Carr.—Yes.

President.—On the next page there are these figures headed "Bengal Mill Cost," etc. You begin by giving the figure in the column headed "f.o.r." What exactly does that represent?

Mr. Carr.—That is the figure that I gave earlier, what we had hoped to work down to. We had a reasonable hope of working down to that figure within a reasonable period.

President.—But what exactly does that include?

Mr. Carr.—That is right up to the railway trucks at Ranigunj.

President.—That does not include marketing costs?

Mr. Carr.—No.

President.—Depreciation?

Mr. Carr.—No. That goes into the 10 per cent. profit.

President.—Then this does not include anything but works costs?

Mr. Carr.—No.

President.—What will be the average works costs per ton on these figures?

Mr. Carr.—I think it is more than works costs because it covers our Calcutta charges and selling organization.

President.—But what about interest on working capital?

Mr. Carr.—That is in debenture interest.

President.—Can you give us the average figure which you would arrive at on the basis of all these different costs? Let us say it works out to Rs. 500. Then within that Rs. 500 you can discriminate how much is the works cost pure and simple in the sense in which the term is used in the questionnaire, and how much is the interest on the working capital, how much head office charges and how much is the sales organization.

Mr. Ginnwala.—You have got this form IV that we have given you.

President.—There is a table at page 129 of the printed evidence. It was the figure of Rs. 459 given there that you thought you could work down to? That is what I understood.

Mr. Carr.—That is right. This is the average calculated on an outturn of 7,680 tons. This figure of Rs. 530 we are discussing is for white printing. Rs. 480 in that table really represents average for all qualities.

President.—Therefore you have already given us an analysis.

Mr. Carr.—The chemical materials are actually based on what we hope to work in the reasonable future in order to arrive at Rs. 530 for white printing.

Mr. Ginwala.—As the President put it to you, this Rs. 530 is supposed to include the same items as Rs. 480 does?

Mr. Carr.—Yes.

Mr. Ginwala.—Now you have got to add to that overhead charges in our sense of the term.

President.—This sum of Rs. 21 has apparently got to be divided between interest, head office expenses, and selling charges.

Mr. Ginwala.—Then you have got to add the other charges, depreciation as we calculate it at $6\frac{1}{4}$ per cent. and any other item that is not included.

Mr. Carr.—Yes.

President.—You add to the f.o.r. price the cost of distribution which includes railway freight, carting and the discount. Therefore this figure of Rs. 586 is the gross price and not the net price.

Mr. Carr.—That is right.

President.—Rs. 4-8-0 is the freight to Calcutta?

Mr. Carr.—Yes.

President.—Then we would like to know about this sum of Rs. 50. I want to know what that represents.

Mr. McLatchie.—That is 5 per cent. to the dealer, 1 per cent. to the broker and 2 per cent. to the *banian*. That is an all round figure of Rs. 50 at 8 per cent. on Rs. 586.

President.—The next three columns are headed "Import Price." What do they correspond to? Are these taken from the figures on the previous page?

Mr. Carr.—Yes.

President.—They correspond to the import cost?

Mr. Carr.—Yes. We have taken the two principal qualities of paper in which there is chief competition, white printing and cream-laid.

President.—And you have told us that these are the chief kinds which compete directly with your paper.

Mr. Carr.—Yes.

President.—Going down below you say "The selling price in the Calcutta bazar" is the price that you want. Is that the price you actually get or want to get?

Mr. Carr.—That is the price we get, but it does not include job lots.

President.—First of all you have got "Selling price in the Calcutta bazar" and then "Calcutta gross price secured." What is the distinction between them exactly?

Mr. McLatchie.—We simply mentioned Calcutta bazar price as all the calculations have been made on the selling price in Calcutta.

President.—But the first one, is that the price you actually get or hope to get?

Mr. Carr.—Rs. 644 is the price we would like to get and Rs. 595 is what we actually get.

President.—Are these prices the price you hope the increased duty will give you?

Mr. Carr.—That is what the 10 per cent. would give us.

President.—That is just raising the duty from 15 to 25 per cent not making any addition on account of the exchange. You see, after all, if you compare these two columns—take printing—you have only Rs. 50 difference, which apparently indicates that you want an extra Rs. 50 to give you this price.

Mr. Carr.—Yes.

Mr. Ginwala.—It is pretty close to that. It is just that difference.

Mr. Carr.—Yes. As a matter of fact these figures do coincide extraordinarily nearly with what would be 10 per cent. on to the present duty or 25 per cent. gross.

President.—My point is rather this. What the India Paper Pulp Company told us—and Titaghur also told us yesterday—was that they wanted first of all 25 per cent. and then the correction for the exchange on the top of it. Do you mean an increase in the duty of about Rs. 120 a ton? Apparently from these figures you are only asking for the extra Rs. 50. I do not know the exact figures. It may be Rs. 60 or Rs. 70. Rs. 60 would be very near.

Mr. Carr.—What we are asking for is on the basis of 1s. 6d.

President.—Am I right in taking it that this figure of Rs. 644-12-6 is the gross price you think you ought to get?

Mr. Carr.—Yes.

Mr. Ginwala.—Do you think that you would get that price if the duty was raised from 15 to 25 per cent.?

President.—The existing duty on white printing is $7\frac{1}{2}$ pies. If you raise that to 25, it becomes $12\frac{1}{2}$ pies. If you put it in rupees, it would be from Rs. 90 to Rs. 150.

Mr. Carr.—Do you mean that 25 per cent. on 1s. 6d basis will give us that?

President.—The present duty on printing paper, the commoner kind of printing paper, is $7\frac{1}{2}$ pies. The present tariff valuation is 51 pies or As. 4-3. You take 15 per cent. It is almost exactly half, i.e., $7\frac{1}{2}$ pies. If you raise that from 15 per cent. to 25 per cent., the duty would become $12\frac{1}{2}$ pies, or if you like to have it in rupees per ton, the present duty is Rs. 90 a ton and a 25 per cent. duty would be Rs. 150. Is that what you are asking for? That is by far the simpler way to put it to avoid misunderstanding.

Mr. Carr.—With the 25 per cent. duty we should get Rs. 625 as the price of imported paper, against Rs. 644 which we want. We could work at Rs. 625 and we should not ask for further protection. Although we estimate to get Rs. 644 we should not ask for protection.

President.—Supposing the price of imported paper went up to the full extent of the duty instead of actually realising Rs. 595 gross, would you realise, with Rs. 60, Rs. 655?

Mr. Carr.—Yes.

President.—Well, that is actually a little higher than the figure you say you ought to get.

Mr. Carr.—Yes. Twenty-five per cent. would give us what we require.

President.—Is that what you are asking for?

Mr. Carr.—Yes.

President.—That appears to be about right on the figures you have given us here.

Mr. Carr.—Yes.

President.—If that is the case we need not trouble about the exchange except to this extent in so far as the 1s. 6d. rate may not yet have become fully effective. That is the only way in which the exchange would come in. We have to make some allowance for it.

Mr. Ginwala.—In substance your proposal amounts to this. You want more or less a rectification of the exchange from 1s. 4d. to 1s. 6d.

President.—If the exchange had remained at 1s. 4d. would you be nearly getting what you wanted?

Mr. Carr.—Yes.

Mr. Ginwala.—If 1s. 6d. is the exchange which has come fully into operation then this figure of Rs. 644, which you are proposing, will meet your requirements. In so far as it may not have come fully into operation a little more may be necessary.

Mr. Carr.—Yes.

Mr. Ginwala.—That is to say, you want the full rectification of the difference between 1s. 4d. and 1s. 6d.

Mr. Carr.—That is really what it comes to. It coincides with what we are asking for.

President.—It is really important for us to know whether that is what you want, or whether there is something else. We must be quite clear.

Mr. Carr.—Rs. 644 would not be realised at any time except by perfect paper. Probably it comes to Rs. 630.

President.—‘Calcutta gross selling price,’ what is that? Is that what you are actually getting?

Mr. Carr.—Yes, for perfect paper.

President.—What is the proportion of the perfect paper of your output?

Mr. Carr.—About 93 per cent. to 95 per cent.

President.—It is only quite a small allowance for that part of your output for which you could not realise the full figure?

Mr. Carr.—Rs. 7 to Rs. 10 down.

President.—It would only alter the average figure by a rupee or two.

Mr. Carr.—Yes.

President.—What is comes to is if the exchange is at 1s. 4d. you would not require any protection at all.

Mr. Carr.—Our costs would go up.

President.—Do you mean the cost of imported chemicals and so on?

Mr. Carr.—Yes, bleaching, stores, wires and machinery.

President.—Anyhow we may take it that approximately what you are asking for is just 25 per cent. If the Board think that 1s. 6d. has not yet become fully effective in the local price of paper, some allowance should be made for that.

Mr. Carr.—Yes.

President.—Look at the column headed “profit” 10 per cent. If you get this average figure you get the average 10 per cent profit. That will give you, let us say, about Rs. 50 or it may be a little more. Supposing it came to Rs. 50 multiplied by the output that will give you the total profit you are getting.

Mr. Carr.—Yes.

President.—Supposing it is Rs. 50 on an outturn of about 7,000 and odd tons, it comes to between 3 and 4 lakhs. What do you consider out of that is a reasonable allowance for the depreciation you ought to set aside.

Mr. Carr.—The figure allowed by the Income-tax Office is Rs. 1,28,000 at the present moment. We want Rs. 1,04,000 for paying 10 per cent. on our ordinary shares on reduced capital. That is Rs. 2,32,000, and at the present moment, about Rs. 37 a ton of our outturn. There are other allowance which one has to make for depreciation of stock, etc. It is not included in that.

Mr. Ginwala.—It comes to Rs. 58 against Rs. 37.

President.—If you divide Rs. 2,32,000 by the output it would come to something less than the 10 per cent. profit that you are talking here.

Mr. Carr.—The average profit on 20 per cent. of our outturn is only Rs. 39 per ton.

President.—You get the average figure multiplied by the output. After making allowance for the depreciation and what remains there is the net profit so to speak.

Mr. Carr.—We will get those figures in the afternoon.*

Mr. Ginwala.—I think you have given your average prices realised up to 1923 for all production.

Mr. Carr.—Yes.

* Statement VII, para. 5.

Mr. Ginwala.—Would you mind giving us your realised prices for the whole of your output since that date?

Mr. Carr.—Yes.*

Mr. Ginwala.—Your distribution charges are Rs. 56-10-0. Is that all Calcutta?

Mr. Carr.—Yes.

Mr. Ginwala.—The important point to remember is whether the average realised prices that you are going to give us include all the freight and everything paid by you or not for the up-country markets. If it is included you must tell us so. If it is not you must say what we ought to add or deduct as the case may be.

Mr. Carr.—Yes.

President.—What we want to know is this. You say for 1923 your average realised price is Rs. 545-4-10. Is that a gross price or net price or does it include freight and so on?

Mr. Carr.—That is the net return to the mill.

Mr. Ginwala.—After having met all your charges?

Mr. Carr.—Yes, freight and everything.

President.—Supposing instead of taking Calcutta only we take into consideration all the different markets in which you sell, are your discounts and so on the same in other places?

Mr. Carr.—They are on a different basis. We get rather a higher gross price and give smaller discount and that covers the freight we have to pay from Calcutta.

Mr. Ginwala.—You can give us a general idea that we may have to add Rs. 10 or Rs. 15 to get an "all in" price figure. It may be difficult. Here you have given the Calcutta price. What we want is a sort of an all-India price.

President.—Take this white printing. If you were getting Rs. 644 in Calcutta, would you be getting more than Rs. 644 or less than Rs. 644 on the average of all markets?

Mr. Carr.—On an average we should be getting another Rs. 16 a ton.

Mr. Ginwala.—That would cover all your incidental charges?

Mr. Carr.—On the average it would cover them, because we give smaller discounts.

Mr. Ginwala.—If you add Rs. 16 to the Calcutta price, shall we get more or less your all India price?

Mr. Carr.—Yes.

President.—Supposing you actually realised Rs. 644 in Calcutta I understood you to say on the average of all your markets you would be getting something higher than your gross price.

Mr. Carr.—No. It is only up-country that we should be getting more. The average of the whole would not be Rs. 16 higher.

President.—I do not want to tie you down to a figure.

Mr. Carr.—On the average they would be about the same. In up-country markets we also drop a bit on contracts.

Mr. Ginwala.—And also on freight?

Mr. Carr.—Yes.

President.—If you are getting Rs. 644 at Calcutta, does that give you a sufficient price for your paper taking all markets into consideration?

Mr. Carr.—Yes.

Mr. Ginwala.—I think Rs. 644 would be for all India?

Mr. Carr.—Yes.

* Statement VII, para. 3.

Mr. Ginwala.—What is the amount of discount that you give to your wholesale dealers?

Mr. Carr.—Five per cent. in Calcutta in the bazar and $1\frac{1}{2}$ per cent. if they pay cash, *i.e.*, $6\frac{1}{2}$ per cent.

Mr. Ginwala.—That is given to your wholesale dealers?

Mr. Carr.—Yes.

Mr. Ginwala.—In addition you have to pay brokerage?

Mr. Carr.—We pay one per cent. brokerage.

Mr. Ginwala.—What is the idea of employing brokers and wholesale dealers?

Mr. Carr.—The wholesale dealers have to be called on daily. The wholesale dealers won't come to us. They have to be called on by somebody representing the firm.

Mr. Ginwala.—Do you deal direct with the retail purchaser?

Mr. Carr.—We don't touch the retail man at all. As far as Bengal is concerned we keep ourselves entirely to the Indian wholesale trade.

Mr. Ginwala.—Do you mean in the Bengal area?

Mr. Carr.—Yes. If we get small dealers writing to us for quotations we simply hand over the enquiries to the bazaar wholesale dealer.

Mr. Ginwala.—I think there was a case. A wholesale dealer who was dealing in your paper stated that he asked for a quotation for some particular class of paper that he wanted. He got that quotation from you and gave it to his customer and this customer eventually went to you and got a lower rate.

Mr. Carr.—We encourage small as well as big men. It is the small man who keeps the market upwards and not the big man. It would never suit us in paper to get all the distributing work into three or four hands so that they could simply dictate to us. We encourage small dealers. I think it is the same in most trades. It is the small man who really keeps up the price.

Mr. Ginwala.—Here the suggestion is that it is difficult, if not impossible, to deal with the Indian paper mills. The small man, as you put it, can go direct to the mills and get a better price than a wholesale dealer. In that case why should the latter do business in Indian goods? His complaint is that he loses business because the small man is able to go to you direct. Does that happen often?

Mr. Carr.—I don't think, to any great extent.

Mr. McLatchie.—I know the particular case. It is an isolated case which would not have occurred had the dealer come along and explained matters. He took no action in the matter.

Mr. Ginwala.—This is what Mr. Kundu said: "They give often cheaper prices to the retail buyer. In Calcutta, for instance, the other day Messrs. A. & Co. came to us and enquired the price of *badami* paper. I quoted them mills' price 3 annas $7\frac{1}{2}$ pies per lb. less $2\frac{1}{2}$ per cent. commissions out of the $4\frac{1}{2}$ per cent. that we get. He went away. He did not buy the paper from me. Afterwards I enquired from him where he bought the paper from. He told me that he got the paper from the X Mills at 3 annas $4\frac{1}{2}$ pies per lb. delivered at his place."

Mr. Carr.—I don't think that the price given is correct.

Mr. Ginwala.—From your business practice such a thing may often arise if you deal with the wholesale dealers and at the same time recognise what you call small dealers. If you quote a fixed price to the wholesale dealer and then when the small dealer comes to you, you give him a lower quotation, I think that the wholesale dealer has some reason to complain.

Mr. Carr.—It would not be good business to give a better price to a smaller man. We have the same price regardless of quantity. That is a custom that has grown up over great many years, and we feel doubtful of interfering with that.

Mr. Ginwala.—You cannot combine a wholesale trade with a retail trade.

Mr. Carr.—We don't want to. It is too much trouble.

Mr. Ginwala.—What is the smallest quantity for which you will take an order from a small dealer?

Mr. Carr.—We would sell a ream to a wholesale dealer but not to a retail dealer.

Mr. Ginwala.—On what footing would you deal with him?

Mr. Carr.—We would send him round to a big dealer.

Mr. Ginwala.—Suppose I want to buy half a ton of paper, would you sell it to me?

Mr. Carr.—In these times temptations come, but in the ordinary course we would send you to a big dealer.

Mr. Ginwala.—What is the smallest order you will accept?

Mr. Carr.—It depends on who he is.

President.—Suppose Mr. Ginwala is the printer of a newspaper, and wants half a ton of paper, would you sell it to him?

Mr. Carr.—We would not deal with him.

Mr. Ginwala.—Now and again an instance like that may happen?

Mr. Carr.—It is not common practice. The mere fact that we have a Calcutta area shows that we do not go in for it. We abstain from working in it ourselves.

Mr. Ginwala.—You have got what you call catalogue prices. During the currency of those prices, would you make a reduction to individual purchasers?

Mr. Carr.—No.

Mr. Ginwala.—What is alleged is that this is done and that that is why they are very reluctant to deal with you.

Mr. Carr.—We can only answer for ourselves. I don't think that that charge was made against us. To the best of my belief it could not be substantiated.

Mr. Ginwala.—So far as you are concerned, you adhere to your catalogue prices?

Mr. Carr.—Yes.

Mr. Ginwala.—When you make any variations in the catalogue prices they apply to everybody?

Mr. Carr.—Yes.

Mr. Ginwala.—Are these variations frequent?

Mr. Carr.—We lowered prices once this year, I think, about the end of March or the beginning of April.

Mr. Ginwala.—Do you circularise all your dealers?

Mr. Carr.—It is known before it is circularised.

Mr. Ginwala.—I take it that other things being equal, the same business price would apply to the mufassal dealers.

Mr. Carr.—Yes. We more or less confine our operations to one dealer in one area. That is the general rule.

Mr. Ginwala.—The point I want to be clear about is this. Supposing a wholesale dealer does business with a small dealer in the bazar, will he almost invariably do business on your catalogue prices?

Mr. Carr.—He gets as much as he can get from the market. He may do business on our catalogue prices or he may even go lower and give away some of the discount which we give him.

Mr. Ginwala.—That brings into the business a certain amount of uncertainty.

Mr. Carr.—He has got this certainty. Catalogue prices are the ruling prices and he gets 5 per cent. discount.

Mr. Ginwala.—He can do whatever he likes with that 5 per cent. He cannot trifle with your catalogue prices in the hope that you would reduce them?

Mr. Carr.—We won't reduce them. He may reduce the price to the extent of 5 per cent.

Mr. Ginwala.—So far as you are concerned, you adhere to the prices which are in force for the time being?

Mr. Carr.—Yes.

Mr. Kale.—Does your answer cover another complaint which has been made, *viz.*, that you give better terms to your European customers than to Indian customers?

Mr. McLatchie.—It is not the case. The amount of paper we sell to Europeans does not amount to 3 tons a month.

Mr. Carr.—There is absolutely nothing in it. We will get the best money for our paper. We don't ask whether the customer is an Indian, a European or a Chinese.

President.—Would you sell direct to a European whereas you would not sell to an Indian firm?

Mr. Carr.—There are one or two European firms whom we treat on the same basis, who own printing presses and who have always been outside what they consider dealers' customers. They come to us—people like Newman's. In the same way up-country we have certain Indian presses we deal with direct and not through dealers.

President.—Do you deal with these people on special terms?

Mr. Carr.—Yes, if they are big people.

President.—You would give them the same discount as you would give to your dealers?

Mr. Carr.—Yes, if the amount of business is not very small.

Mr. Kale.—So that it does not turn upon a racial difference?

Mr. Carr.—Nothing whatever.

President.—The Calcutta Paper Traders Association consider the quality of the Indian paper defective on four grounds, *viz.*, the finish is poor, surface spotty and uneven, outturn not uniform and dependable and the colour not always up to the mark and liable to deteriorate quicker. How far do you admit that this is a fair criticism of the output of your mill?

Mr. Carr.—I wonder whether these complaints are still true to-day. One of the great points is unquestionably that our paper is not as good as before. I don't think that our quality has gone off since the war more than it has in other industries. Inefficiency came in everywhere and it did not keep out of our mill. Our paper has been worse than it was before the war. We have still got sample books of better paper made 15 or 17 years ago from the same materials but we are unquestionably improving again. It is taking a long time to get back to the old state of efficiency. For the last year or two there has been an exceptional factor, and that is we have had dirty grass owing to a bad monsoon. Working with that grass it has been extraordinarily difficult to keep out the impurities. During the war I claim that the imported papers also were bad in appearance and in finish. We know that they were using materials which they are not using to-day and would never have used any other time. Every one suffered in the same respect.

President.—The dirtiness of the grass then makes the surface spotty?

Mr. Carr.—Yes.

President.—But is not that a difficulty you always have to meet if you are making paper out of *Sabai* grass? There are always a good many impurities to be removed.

Mr. Carr.—We have arrangements for picking it out in the forests before it comes to the mill and with that we get reasonably free grass, though not as clean as *Esparto*.

President.—We have not been to your mill but we saw the grass that arrived at other mills. Certainly it seemed a formidable business to get it cleaned.

Mr. Carr.—That has been so for the last year or two.

President.—Was it the last monsoon or the monsoon before that?

Mr. Carr.—The monsoon before that. We are not working under normal conditions. Labour was disorganised by Tata's works and other works that are attracting labour at a big price. The result was that our grass came in with leaves which are difficult to free, and more particularly in the dry weather when the grass is short, it is pulled up instead of being cut. The roots also come up and they are exceedingly difficult to free from the grass. Normally there is no reason why we should not make good, clean paper from grass.

Mr. McLatchie.—We don't admit the criticism about the colour.

President.—You don't think that your paper discolours more rapidly than imported paper?

Mr. McLatchie.—No.

President.—One does not see why it should go off quicker in your paper than in the imported paper.

Mr. McLatchie.—It will go off quicker in the mechanical wood paper, than in our paper.

President.—Naturally. But the fair comparison would be with a wood-free paper. As regards colour, you claim that yours is as good as the imported paper?

Mr. Carr.—Yes. I had some sample books. If I find them I should like to bring them over.

President.—There is nothing in your present difficulties that is likely to make the colour go off quicker?

Mr. Carr.—No.

President.—Then as regards the outturn not being uniform and dependable, that has nothing to do with the materials?

Mr. Carr.—No.

President.—I will give you an example of what the witnesses said. For instance a man might be printing a law book, a process which apparently takes a very long time; it might go on for a year or two, and the paper would be bought as required. If the printer bought it from an Indian mill, we were told, the second lot would be different from the first and the third lot would be different from both, so that the book when finally printed would have different qualities of paper.

Mr. McLatchie.—The same thing would happen in the case of imported paper too if dealt with under similar conditions.

President.—It was said that the quality of the imported paper would be more uniform and dependable.

Mr. McLatchie.—There you have a much bigger choice of mills. It is quite possible that our shades would vary and do vary, but not more than any Home mill.

President.—Would you get uniformity by dealing with 5 mills?

Mr. Carr.—If one mill goes off in 12 months and he wants another 500 reams, he might be able to match it from another mill better than he does in the original mill. I don't think that any mill is more uniform than we are.

Mr. McLatchie.—If the man who was using a particular paper for the law book when placing an order for the extra quantities of paper required, gave a sample in which he wanted to have the colour matched, he could easily get it. If he simply buys in the market, it is quite likely that the colour would vary.

President.—It would almost be a special order.

Mr. McLatchie.—He would have to buy his total requirements at one time, if he wanted to have a uniform make.

Mr. Carr.—If anybody wants 25 tons in three lots of 7 or 8 tons, we have standard samples on record at the mill and paper is made to that standard. If he goes to the bazar and simply says "I want another 5 tons of Bengal paper," he is likely to find the colour different.

Mr. Ginwala.—Supposing you are manufacturing 10 tons of paper, will all the sheets be uniform in, say, thickness?

Mr. Carr.—Yes.

Mr. Ginwala.—One of the complaints is that there is lack of uniformity in the same lot. One sheet is thicker than another or it may be shorter. They say that it dislocates printing. If you have a thicker sheet following the ordinary sheet, the impression on the thicker sheet is not as good as on the thinner one. If one is bigger or shorter than another, it may not fit into the machine and adjustments will have to be made.

Mr. Carr.—That is really a matter of inefficiency on the machine.

Mr. Ginwala.—That is what is charged against the Indian paper.

Mr. Carr.—We have not had any complaints. That is all I can say. We have not noticed it ourselves.

Mr. Ginwala.—More than one witness has said so.

President.—Mr. Ascoli said that it was difficult to print in the Government Press because there was much too high a percentage of imperfect sheets which led to a certain amount of wastage of paper, and also when he got sheets of different thickness, one adjustment would not suit all the different sheets.

Mr. Carr.—It is not a normal condition. We have had about 5 or 6 months of inefficient work in our finishing and it has affected some of the Government supplies. Our rejections came to one per cent. or so. It was not a question of manufacture but finishing. It is not a normal condition, nor is it a condition that is obtaining at the present moment. This year we had complaints from the bazar as well.

Mr. Ginwala.—You are now taking measures to get better results?

Mr. Carr.—It is not an improvement. It is merely a matter of change of staff.

Mr. Ginwala.—Is that an improvement?

Mr. Carr.—What I mean is that it is not a manufacturing improvement.

Mr. Ginwala.—Mere change of staff may not result in improvement.

Mr. Carr.—It may not. I am not suggesting that we are going to get into a position other than normal. It is simply a matter of 6 months' breakdown but I don't admit it was so during the last year or so. It is only a case of the last six months.

Mr. Ginwala.—These results are due to inefficiency in the management which can be got over?

Mr. Carr.—It is a temporary inefficiency.

President.—In Form I you have given the cost of purchased pulp, but I want to know what quantities you used.

Mr. Carr.—

	Tons.
1921	2,030
1922	2,574
1923	2,580

President.—Are you using now proportionately more purchased pulp than before the war?

Mr. Carr.—We have not got the figures here. Probably we have been, because we have a fourth machine and the preparing plant is not yet ready to work the grass. Our intention is to cut the pulp down to the minimum when our grass organisations are complete. We hope to get down to about 1,200 tons instead of 2,500 tons.

President.—That is about half your present consumption?

Mr. Carr.—Yes.

President.—The reason why I mentioned it was because the Calcutta Traders Association said "We take this opportunity to state that for the past two years the country mills are trying to improve the quality of their papers and occasionally a lot comes to our hand free from the defects mentioned; but this improvement, we hear, is due to their mixing larger and larger proportions of imported sulphite pulp with their grass pulp." That is why I rather wanted to get your figures specially. Do you think that is a fair way of putting it or not?

Mr. Carr.—No, I don't consider it so. The improvements we are working up to are coming in and we are not using a greater percentage of sulphite pulp to-day in white paper than we did before the war. There is the fourth machine—that is why our proportion seems high.

President.—I want to know the quantity of pulp used in proportion to your output of paper.

Mr. Carr.—That is just what it has usually been.

President.—You remember during the examination at Simla there was a good deal of evidence taken about the coal consumption. What I would like to know is whether in the current year you have been able to effect any improvement in that respect?

Mr. Carr.—Things are improving now although we have not got down to 5½ tons yet.

President.—Can you give it for the last month?

Mr. Carr.—I will give it to you after lunch.

Mr. Ginwala.—Do you use second class coal?

Mr. Carr.—We made a running contract because there was no railway transit, and we could bring the coal straight into the yard, but the quality has not been as good as it was when we made the contract. It has meant larger consumption.

Mr. Ginwala.—Will it be classed second or first?

Mr. Carr.—Good second class.

Mr. Ginwala.—Your boilers are old, I take it?

Mr. Carr.—We have a new range of 3, a middle range of 3 and an old range of 7.

Mr. Ginwala.—On the whole they have come to the middle age?

Mr. Carr.—Yes, average middle age.

President.—You can hardly expect the same efficiency as in an entirely up-to-date plant. The Titaghur people told us that they were quite satisfied that they had effected real economy in their mills by the new improvements in steam.

Mr. Carr.—We also are better satisfied with the new ones we have.

Mr. Ginwala.—You have got a new set?

Mr. Carr.—That is about 6 or 7 years old now.

Mr. Ginwala.—You find that when compared with the older boilers you have not obtained as good results as you expected?

Mr. Carr.—Yes, the new range is quite all right. But the boilers are of different type. Our older boilers are Lancashires. The new boilers are reported to give better results than the old ones, but I don't think there is anything very much in it. All give satisfactory results, provided they are cleaned and kept efficient.

Mr. Ginwala.—In the end it is not a question of tons, it is a question of rupees. You cannot compare so many tons of second class coal with some other kind of coal. You get a more accurate idea by showing how much it costs you.

President.—How much does this coal cost you?

Mr. Carr.—It is based on the railway contracts. It is very high at the moment, that is to say, we can buy the same coal in the open market at Rs. 4 a ton less than we pay, but unfortunately we took the Mining Engineer's price as likely to be a fair one.

Mr. Ginwala.—In your future estimates have you reduced the price of coal by Rs. 4 a ton?

Mr. Carr.—We took in a reasonable figure for coal consumption there. That is what we expected to work to. (In Statement II).

Mr. Ginwala.—It is Rs. 45. It seems rather a high figure considering that you are so near your coal.

Mr. Carr.—We cannot get all our coal from there. We hope to get larger quantities from there if the quality of coal improves.

Mr. Ginwala.—You have not got to go very far for your coal. In any case you have got a freight advantage over the other mills.

Mr. Carr.—Yes.

President.—Have you told us anywhere on what price of coal this figure of Rs. 45 is based?

Mr. Carr.—No.

Mr. Kale.—How many years have that coal contract still to run?

Mr. Carr.—Eight years, I think.

President.—Of course eventually it may pay later on. It is conceivable, I take it, that it is not a permanent feature of the market that Government is paying a higher figure.

Mr. Carr.—Being the Mining Engineer's figure we thought it was not an unreasonable figure to base on.

Mr. Ginwala.—But the Railway Board's contracts themselves have expired.

Mr. Carr.—That is why in the long run they may be all right.

Mr. Ginwala.—Your contract is for a long term of 10 years, but the price is not fixed for 10 years?

Mr. Carr.—No, we have not fixed the price at all. That is why we took the Mining Engineer's price.

Mr. Ginwala.—They have been brought down for a couple of years?

Mr. Kale.—The prices will be revised in two or three years?

Mr. Carr.—Our prices will be revised next year.

Mr. Kale.—Then that price will remain in force for another three years?

Mr. Carr.—No.

President.—There is another general objection that has been put forward by several witnesses, namely, that the profits made during the war were so large that the mills should have been able to bring the works up-to-date in all respects and provide for a Dividend Equalization Fund which should have carried them through four or five bad years. Analogous to that there is a similar objection that the manufacturer of paper from grass cannot plead that it is an infant industry and deserves special encouragement and so on, and that after it has been going on for 30 or 40 years in India, they ought to have learnt how to manufacture paper economically and efficiently, and therefore it is not proper to grant protection because there is no guarantee that they will do any better now than they did before. That is another of the objections put before us. We should like to know what your reply to that would be.

Mr. Carr.—I think the first objection is really very much a case of being clever after the events. On one occasion I placed the half-yearly accounts before a shareholders' meeting and the accounts were not approved because we were not paying enough dividend, and our firm was accused of holding back the profits and putting them into the mills rather than into dividends.

President.—But you see the criticism that I have given you is, so to speak, a criticism of the shareholders. They are the people who are criticised.

Mr. Carr.—I have given figures which do not show an unduly high return upon the investment over a term of years, and, compared with any other industry during the years of high dividends, the return was not high.

President.—That perhaps to some extent is a question of opinion. For 4 years you paid 52 per cent. on the ordinary share.

Mr. Carr.—On the reduced ordinary capital.

President.—The point is this as regards the equalization of dividends. If even one of these dividends had been left out it would suffice to pay 10 per cent. for five years, or if you had paid 26 per cent. instead of 52 for two successive years that would have given you enough to carry on, so that, so to speak, the shareholders have no particular claim on the public because they have already had their cake and they now again ask Government to give them back their cake.

Mr. Carr.—Was it a cake in advance they had or an accumulated cake from 1904 onwards? The history of the Paper industry shows that they had been waiting for many years and at last they got a return.

President.—But who is to say that they are the original shareholders?

Mr. Carr.—Does that not apply with regard to the share of the equalization, the shareholders who put the money by or the later investors?

President.—But still, if it were merely a question of the interest of the shareholders, it would be a sufficient reply to say that you have got in four years twice your capital and you can afford to go on without dividends for sometime.

Mr. Carr.—Then they will say that they lost 75 out of every 100 they invested, that would be the shareholders' reply. We wrote it down by that. It has a tremendous bearing on the point. Even the preference shareholders had their shares written down by 50 rupees in every 100.

President.—But, apart from the shareholders, how far do you admit the criticism that the profits made during the war would have sufficed to renovate the mills and bring them thoroughly up-to-date?

Mr. Carr.—Not having the perfect gift of prophesy we used the money to the best of our ability in improving the mills. There were one or two directions I fancy in which looking back now one might say "I wish I had spent in that direction," but generally we are satisfied that the money we put back into the mill has improved the position of the mill in enabling it to meet competition.

President.—Supposing that you had limited your dividend during the war years to 10 per cent., to what extent would that have enabled you to renovate your mill fully and finally? Would it have given you sufficient funds to reconstruct and bring the machinery absolutely up-to-date?

Mr. Carr.—At the moment there is nothing particularly that we want only to finish our work and get it going.

President.—Your costs rather suggest that your machinery can hardly be called up-to-date. Your coal consumption is very high, and your steam plant may be partly responsible for the high consumption. The facts do suggest that your steam plant is not quite what it should be.

Mr. Carr.—Unquestionably we could improve it but if we were to make it to-day I don't think that would stand very high on our list of improvements. Our boiler range compares with many boiler ranges working at Home, but unquestionably our new Babcock boilers give better results than the old Lancashire boilers. It is not so obvious that I can say at once that if we have the money we will put in a new boiler range.

President.—There may be other directions, other things that are more urgent, and if your figures show that the boilers do not produce very good results, that rather suggests that your plant is hardly in a position to compete with up-to-date mills.

Mr. Carr.—That is largely because it is not all in operation yet. When we have all the plant we have got in the mill into operation, I don't think we shall want anything else to make it an efficient plant.

President.—After all, some of your machines have been renewed a good deal but they are fairly old, whereas in the mills all over the world a sort of steady improvement has been going on. It may be that no revolutionary changes have been made, but still minor improvements are made from time to time, and are then taken up by other mills. The suggestion is that in this way their costs tend to come down. If the Indian mills are not able to keep pace with the times, it shows that they will find it more and more difficult to compete.

Mr. Carr.—Mechanically there is no reason why we should not get another 80 to 100 tons a month of paper, and the effect of that on our costs would be tremendous. That is a matter of efficiency of labour. But I don't know that any ordinary improvement would enable us to reduce our cost to any great extent to-day, when we have got a full run, with the plant we have got now. For instance, we have a bleaching plant—which is not in operation yet—which is a more economical way of bleaching the stuff than in the beaters.

President.—Did you give us any information about that when you last gave evidence, about the new plant which you have, but which have not yet been put into operation?

Mr. Carr.—I don't think so.

President.—It might be useful if you could tell us what the probabilities are.

Mr. Carr.—The Press Pâte is a relatively cheap machine by which we are able to clean the stuff. Another one of those has to go in. Then we have the bleaching plant to which I was just referring. Then our recovery plant is not working well yet; that remains to be put right. Then we have the improvements with the finished paper, in super-calendering and handling it. These are the only improvements that remain to be carried out, and barring one or two relatively cheap things costing £100 or £200 a piece, we have nothing particular in mind for improving the mill.

Mr. Ginwala.—What improvements will these make on the estimated cost?

Mr. Carr.—The bleaching machine should certainly save us Rs. 7 a ton.

Mr. Ginwala.—How much will these additional appliances that you require cost?

President.—Have you already bought them but have not yet erected?

Mr. Carr.—Partly erected.

Mr. Ginwala.—Why has not the erection been completed?

Mr. Carr.—We are not stopping the mill. We are running the mill the whole time and you cannot get a new plant erected quickly while the plant is running.

Mr. Ginwala.—I think the way in which you have stated your claim practically shows that you are not asking for a special kind of consideration that is extended to an infant industry, that is what it really comes to, does it not?

Mr. Carr.—No, absolutely not.

President.—The figures as they stand in the statement do admit that your costs are higher and you have got to get your cost down before what you are asking for gives you anything. That is what it really comes to.

Mr. Carr.—Yes.

President.—There is another objection of a rather different kind. It has been suggested to us—and it was specially brought out by the Calcutta Paper Traders Association—that there is a definite class of consumers in India, who prefer the grass paper because of its strength and bulk, and because they can write on the printing paper without difficulty. The white printing paper, they say, has become a sort of universal paper. It is quite as good for writing as for printing. On the other hand, there is a considerable class of consumers who definitely prefer the imported paper because of the superior finish, smoother surface, greater uniformity and so on. What they said was that, for the 1st class of consumers, the Indian grass paper was a very cheap paper indeed. For the value they get out of it it was a cheaper paper than they could get anywhere

in the world, but they contended that it was not possible for Indian paper with its defects to compete with the imported paper amongst the latter class of consumers. Indeed they suggested that the reduction in prices which had occurred was really due to competition amongst the Indian mills themselves. To what extent would you at all admit the validity of this statement? Take the first point. Do you think that it is true that there are a considerable body of consumers who definitely prefer the grass papers?

Mr. McLatchie.—I think there is a definite number of consumers who prefer grass paper.

President.—For account books, Zamindary papers and so on, there might be almost a natural protected market because they definitely want that kind of paper.

Mr. McLatchie.—So long as they are not too tempted by the imported price.

President.—I want to point out that the selling price of imported paper might not come down unless the Indian mills reduce their selling prices. That rather suggests that the Indian mills are taking the lead in these reductions. It is a little hard to say that the importers are the people who are responsible.

Mr. Carr.—Because they have got a big margin to play with. I think the Indian mills base their price very largely on what they can afford to sell at. As regards the statement of 7 pies, if we sell at As. 4-6 we make practically no profit at the present moment. They have still got 4 pies to work on and it simply means that they could undercut us until we reduce our price further. We do not yet know how far they can reduce, but those are the prices that we are able to secure.

President.—What was likely to bring down the imported price was the reduction by the Indian mills?

Mr. Carr.—They would go still further. We know they can, because it only cost them As. 4-2 pies to bring the paper in.

President.—I daresay they can.

Mr. Carr.—Our difficulty in selling our paper is because of the competition we meet with.

President.—In selling your full output?

Mr. Carr.—Yes, and as regards the internal competition it is obvious there must be competition. As regards the prices, one of the chief complaints I have always heard of Paper Traders Association is that the mills combine and fix their price.

President.—Apparently you are guilty of another enormity of cutting you. price. You cannot please them whatever you do!

Mr. Carr.—I think those complaints must be taken with a very considerable grain of salt. 30 or 40 years market demands cannot be neglected and during the last 30 or 40 years we have sold all our full output and we are still selling it.

President.—Except for the last 6 months.

Mr. Carr.—We tried to keep the price up.

President.—I think the contention of the dealers is that you are not producing a class of paper which the consumers want.

Mr. McLatchie.—It is largely a question of price. We have not been able to come down to the imported price with the result that naturally the demand for imported paper has been considerably larger, and we had to run into stocks.

President.—Take *badami* now. Does the imported mechanical coloured news really compete with your *badami* much?

Mr. McLatchie.—To a limited extent.

President.—Have you reduced the price of *badami* during the last year?

Mr. McLatchie.—*Badami* gives us best profit at the present time.

President.—Have you actually made a cut in your price of *badami*?

Mr. McLatchie.—Along with the rest of our prices.

President.—That must be due to internal competition?

Mr. McLatchie.—No, because the price is the same with all mills making *badami*.

President.—Did one of them take the lead?

Mr. McLatchie.—We have one machine of *badami* now and in order to keep that machine running on *badami* we had to reduce the price.

President.—Owing to the difficulty in selling your commoner paper you are trying to make more *badami* paper and by lowering the price you can sell more.

Mr. Carr.—Yet there is such limited demand that we can only put one machine running on *badami*.

President.—Is your output of *badami* this year higher than last year?

Mr. Carr.—It is practically the same. We have one machine running the whole time.

President.—Is it on account of the competition of this mechanical coloured newsprint that has really affected the price of *badami*?

Mr. Carr.—The Indian *badami* is preferred to the imported *badami* on account of strength and general appearance.

President.—I do not follow why exactly you have to reduce the price of *badami*.

Mr. Carr.—Cheap whites really replace it.

President.—Would that be a wood-free white or would it contain mechanical? Would it be cheap enough? Surely no wood-free paper would be cheap enough?

Mr. Carr.—No, it would not be.

President.—It must be partly mechanical white?

Mr. Carr.—Yes.

President.—But even then, where the strength of the Indian paper is of importance, a part mechanical paper could not compete.

Mr. Carr.—That demand we can hold.

Mr. Ginwala.—With reference to the question of prices there is the question of the manufacture of paper from bamboo. Do you suggest that we should have two figures for the two aspects of the industries representing the price that each industry ought to get?

Mr. Carr.—No. I think you put me that question that, if bamboo proved to be a cheaper and better material than grass, whether I would accept bamboo protection as sufficient for grass. My sense of logic would prevent me from doing anything else.

Mr. Ginwala.—Suppose the present manufacture of bamboo paper is on a very small scale. Naturally, the works cost are higher than they ought to be, as also overhead charges. It is quite obvious that you cannot fix any figure which is based on a very small output, so we asked them to give us an estimate of what would be their works cost if the output was increased to 5,500 tons on a two-machine unit and they gave an estimate of Rs. 340 a ton works cost, in our sense, absolutely works cost without any additional charges according to the methods that we have discussed with you before. The additional charges which may be added to get the figure which they ought to get as their selling price may come to about Rs. 200 to Rs. 205. All in-costs would thus come to Rs. 540 to 545. Whereas on your figures the average may be Rs. 644. There is a difference of Rs. 100 or so.

Mr. Carr.—I can only say before you fix the tariff on a Rs. 340 cost basis, I should like to see it. What I mean is that an estimate for a new industry, particularly in this country, requires pretty heavy substantiation before one can accept it. If the estimates of our grass mills had been realised, we should not have been here worrying you to-day for protection. Yet they were framed by men who knew all about grass.

Mr. Ginwala.—That was not merely an estimate without any experience of what had actually happened. Your objection in that case would have been perfectly valid. This is not an estimate in that sense. This is an estimate based on actual experience with certain modifications that they hope to obtain with a little more practice. Supposing we were satisfied that it was a reasonable estimate and when we find such a big gap as that of Rs. 100 between bamboo paper and grass paper, what is the alternative?

Mr. Carr.—Our alternative is to use bamboo if it is really Rs. 100 less.

President.—Would it be logical for us to say that, though the grass paper industry has been in existence for 30 or 40 years and has had a long experience, it ought to get Rs. 100 more than an infant industry which has been in existence for two or three years only, using a new raw material? Could you reasonably expect the Tariff Board to make such a recommendation?

Mr. Carr.—No. I cannot put forward any reason that you should protect grass on different terms to any other material.

President.—Supposing you did not get this additional protection, what would happen to the industry. In your opinion can it go on or what would happen?

Mr. Carr.—I don't like to contemplate closing down.

President.—Would it come to that? There are three alternatives? All the mills would close, none of them would close or some of them would close.

Mr. Carr.—If there were no protection, some of them would certainly close.

President.—Supposing one of the mills closed. Do you think things would become easy for the remainder?

Mr. Carr.—Temporarily easy, but not permanently.

President.—The importance of this suggestion is that there is a definite class of consumers who particularly value the qualities of the Indian grass paper. Therefore, if the number of producers of such paper suddenly came down in numbers, it is possible that the survivors might get a better price.

Mr. McLatchie.—Temporarily I think they would. I don't think any body of consumers of paper would cling to that indefinitely, irrespective of price.

Mr. Ginwala.—Supposing instead of an additional duty it becomes necessary to recommend a bounty, and then the bamboo is selected as the material on which bounty is given, would it be possible for you either to manufacture bamboo pulp or to arrange to purchase it in the country?

Mr. Carr.—I think there is only one possible seller in the country.

Mr. Ginwala.—There is only one at present.

Mr. Carr.—My information is that there won't be a seller for several years to come.

Mr. Ginwala.—Might the existing mills take to bamboo?

Mr. Carr.—It would cost us a fairly large sum to adjust our mill to bamboo.

Mr. Ginwala.—I think you told us that it would take you two years to do it.

Mr. Carr.—Yes, probably it would.

President.—Then you would have to raise capital?

Mr. Carr.—We have not got spare money for that.

Mr. Ginwala.—Supposing the country undertakes to encourage the production of bamboo pulp, so far as your firm is concerned, would it contemplate turning over to bamboo?

Mr. Carr.—It would have to, if it intends to face competition. My difficulty is this. As regards the Yule process, for instance, I do not know whether it is available for others or not, I do not know whether it is the best. The process which would naturally appeal to us, as users of the soda, is of course the soda process. I do not know whether we can use chipped bamboos, which a good many experts say are all right, and how far we can strengthen our boilers so as to take the extra pressure which is required. After

that, the process would be very much the same as for grass. Our research would immediately go to apply our present process to bamboo.

Mr. Ginwala.—The point was, if it was made worth while for you, would you consider it as a commercial proposition?

Mr. Carr.—Only if we were driven to. I do not think personally that we should be driven to it. In spite of the pulp that is used in grass mills there will be a certain demand for grass paper.

Mr. Ginwala.—You have forgotten what we discussed before. Supposing the amount of protection is based on the bamboo cost, and in which case you don't get this additional protection, would your firm be prepared to consider the question of using bamboo?

Mr. Carr.—Without closing down, do you mean? I think we should have to close down, because you will be giving competitors a definite advantage over us and we have not the money to put up in the company to reconstruct it. It would mean our closing down.

Mr. Ginwala.—Is that your opinion?

Mr. Carr.—Yes.

Mr. Kale.—Do you think that, if protection is given and the prices you receive go up, there will be a sufficient market for all the paper produced by the Indian mills?

Mr. Carr.—Yes. We are getting rid of all our output now. With the slight increase in price that we might get, I don't think it would prevent us from selling the whole of our output.

President.—Just consider this. Supposing protection were given, might it not have the effect of starting new mills? There is the Carnatic Paper Mills. There is Mr. Kamat's scheme which has not advanced very far yet. Still, if protection were given, that is one of the probable consequences. That raises the whole question as to whether there is really much room for expansion in the production of paper.

Mr. Carr.—My answer must be different after the figures disclosed with regard to the 22,000 tons of old newspapers; we are trying to get particulars.

Mr. Ginwala.—In every estimate that has been made by everybody including Government experts during the war, before war and since the war, it has been assumed that it does not include old newspapers. Nobody's attention was distinctly drawn to it. Whenever an estimate of the total requirements of India in the matter of paper is made it has been assumed that the estimate did not contain much of this newspaper. You are not the only person to have overlooked that. It has been overlooked in most of the publications.

Mr. Kale.—Do you not think it is a serious matter which requires consideration? In order that you may be able to get down your costs you must produce to your full capacity, which means that production in the country will be far in excess of the total demand. Then again, that will lead to internal competition which means the prices you receive will again come down and once more the question of protection will crop up.

Mr. Carr.—With the protection, we hope to replace the imported paper.

President.—How much are you going to replace? First of all, take the straw boards, mill boards, card boards. They do not affect you much. You get down at once to 60,000 tons taking the figures of 1923-24. If you then cut off 10,000 tons of newsprint and 22,000 tons of old newspapers you come down to 28,000 tons. If you then deduct the various kinds of paper which it is not at all probable the Indian mills can displace, it is very doubtful whether there will be more than 10,000 or 12,000 tons which the Indian mills can possibly get at.

Mr. Carr.—We have calculated 23,000 tons on this year's figures to indicate the probable expansion of the market.

President.—I don't quite see how you got it.

Mr. Carr.—We have taken the figures from April to September 1924 and doubled them.

President.—I have got figures from April to October.

	<i>Tons.</i>
Packing	4,000
Printing	7,000
Writing	5,000
Other kinds	1,000
	<hr/>
TOTAL	17,000
	<hr/>

That is about all. It would work out somewhere in the neighbourhood of 30,000 tons. But you have got to make allowance for the more expensive papers, art paper and rag papers and so on, that you could not touch at all. The imports of any one kind may not be large, but taken together they come to something substantial. When you have made all the deductions I do not think that more than half of the 30,000 tons will be left. In out of the way places, also, like Karachi, the Indian mills will always find it difficult to compete, and that also curtails your market.

Mr. Kale.—If you are basing your forecasts upon the increases which have taken place in the imports, it is just possible that these imports have been made for speculative reasons. It is just possible that many people have imported paper in anticipation of an increased duty. There is just that possibility, and we cannot trust the recent increases.

Mr. Carr.—Your figures are for 1923?

President.—No. The figures I gave you are for 1924-25. For the half year it is about 17,000, tons, and for the whole year it will be a little more than 30,000 tons. My suggestion is that about half of that is probably the limit of expansion of the market, until there is an increase in consumption.

Mr. Carr.—Yes, unless we make other classes of paper too.

President.—There is a lot of miscellaneous paper and the quantity of each of them imported may be quite small,—200, 300 or 400 tons. There may be 20 or 30 different kinds of paper, and when they are all added up together, it amounts to something considerable. But it might not be worth while for the Indian mills to attempt making any one of them. That is where the trouble comes in. Your figure is 23,000 tons?

Mr. Carr.—We took old newspapers, envelopes, etc. We deducted all this from the total imports and doubled the remainder, and that gives 23,000 tons.

Mr. Kale.—Do you call that a sufficient market in view of the fact that so many new mills promise to come up?

Mr. Carr.—Will they come up with such a restricted market? I am not arguing that if you save us from outside competition we shall not have internal competition, because it seems to me that it is axiomatic.

Mr. Kale.—My question is whether protection given to you will be effective for two or three years until the consumption goes up considerably. Protection may not be of use to on account of internal competition, which will be intensified by increased production.

Mr. Carr.—That will require some time to develope.

President.—The Carnatic Mills would come in pretty quickly if protection were given. There is a possibility of the Madras Government giving them capital. They hope to produce about 7,000 tons. That is a substantial addition to the Indian paper in the market.

Mr. Carr.—Does the Madras Government propose to counteract protection by speeding up internal competition?

President.—You have got to remember that the encouragement of Indian industries is a transferred subject. It is a provincial subject and the Minister in charge in the province has got a right to do it. I don't know what the Madras Government have decided to do, but there was a paragraph in the newspaper that discussion was going on.

Mr. Ginwala.—If the Government of India decide to protect paper, then it is possible that it will become a Central subject.

Mr. Carr.—That consideration would help us to go in for bamboo if Government would put up capital for us.

Mr. Kale.—You know more about the Bengal Government than we do.

Mr. Carr.—From what I know I am not backing it!

President.—In the covering letter with which you sent this statement, there is a discrepancy in the figures between the different pages of the printed evidence. It is not exactly a discrepancy. There is a difference, and an explanation is wanted. It is pointed out here "The amounts given on page 110 represent chemicals only, which compose only a part of the Auxiliary Raw Materials used in paper manufacture. To bring up this figure to the total amount of Rs. 112-7-1, we have to include the cost of Alum, Loading, Colours, Jute, Rags and Wastepaper." The last three are primary raw materials and not auxiliary raw materials?

Mr. McLatchie.—When these figures were given, we were dealing with grass pulp.

President.—If you look at page 2 of the printed evidence you will see that the term "primary raw materials" covers the various products, *e.g.*, grass, bamboos, rags, etc. from which the fibre is obtained, whereas the term "auxiliary raw materials" covers lime, all chemicals and dyes, and consumable stores and generally all raw materials other than the primary raw materials and purchased pulp. So that I hope this is not correct. Rags, etc., have not gone into it.

Mr. McLatchie.—As a matter of fact it has been gone into. We will have to alter that figure.

President.—You had better verify it. If you find that they have gone in with the auxiliary raw materials you had better make the transfer and let us know.

Mr. McLatchie.—We will give you exact details of the three items.

President.—Give us the amount which has got to be transferred in Forms I and IV from auxiliary to primary raw materials. That is really what it comes to.

Mr. McLatchie.—As far as I can see, Rs. 112 represents some of these small materials which you call primary raw materials.

President.—It is all right about Alum, but Jute, Rags and waste paper are primary raw materials.

Mr. McLatchie.—Yes.

President.—As regards the various kinds of paper which cannot be made and are not made in India, the Calcutta Paper Traders Association give a list of these on pages 10 and 11 of their memorandum. Taking the first item, *i.e.*, Real Art Paper, they say that the country mills cannot make it.

Mr. McLatchie.—That is correct. I don't suppose for many years the country mills can ever make it.

President.—Another thing is that the demand is very small and it would not be worth while for the Indian mills to undertake its manufacture.

Mr. McLatchie.—It is entirely outside paper making. Coating is a separate process and a separate plant is required for it and the quantity as far as we know is not very much.

President.—Imitation art is not actually made in India at present.

Mr. McLatchie.—It is not actually made in India, although it is the difference in the finish of a paper which defines it as imitation art. That is only trying to imitate the real art, but there is a distinct difference between the two articles. Imitation art is finished on the paper machine and there is no separate process. It is simply an additional finish that is applied to the paper on the machine.

President.—Although that is not made in India, its price is not very much above the price of white printing. It is about the same as Ivory finish.

Mr. McLatchie.—It is the same as good class white printing.

President.—So that it would probably be impossible in any tariff scheme to exclude that from the protective duty.

Mr. McLatchie.—Yes. It could take the place of ordinary printing if it was necessary.

President.—Could it be used in place of ordinary printing paper?

Mr. McLatchie.—Yes.

President.—What about the machine finish paper? Is there anything to be said about that, or is it just your ordinary paper?

Mr. McLatchie.—Yes.

President.—What about the Super-calendered or Ivory finish?

Mr. McLatchie.—There is nothing to prevent Indian mills manufacturing Super-calendered. Ivory finish is another name for Super-calendered. We have Super-calenders.

President.—Have you actually run it?

Mr. McLatchie.—We have run what we call water finished paper. It is not a high class, but is an intermediate class of paper. We were working the Super-calenders at our Gwalior Mill continually, making a high glazed *badami* paper. But in our mill at Raneegunj we have not actually used the Calenders. Of course it is said that a large quantity of Super-calendered paper is used in the country. There may be a big import in glazed mechanical newsprint, which is another kind of Super-Calendered, except that it is made of mechanical wood pulp. As far as we are concerned the demand for Super-calendered paper of the higher quality is very limited.

President.—What it comes to is that you have hardly begun to manufacture it yet?

Mr. McLatchie.—That is so, although we believe that Titaghur has made quite a lot. They have been making it for some time, but if the demand from Indian merchants insist on Super-calendered paper, there is no reason why Indian mills should not produce a good paper.

President.—Mr. Smith of the "Times of India" told us that there would be practical difficulties in making Super-calendered paper in India.

Mr. McLatchie.—His paper is Super-calendered news.

President.—It is partly mechanical, but there is a good deal more chemical pulp in it.

Mr. McLatchie.—By the look of that paper—I have not tested it—I should say that it is very near 50 per cent. Sulphite and 40 per cent. mechanical.

President.—I don't think he claimed it to be wood-free.

Mr. McLatchie.—It is obvious to a paper man that it has a considerable quantity of mechanical in it.

President.—Don't you think that the proportion of Super-calendered printing has been increasing in all countries? Are not more illustrated books being printed in India?

Mr. McLatchie.—It naturally does appeal for illustration work. But we have had no direct demand from the dealers who take a large part of our production, for Super-calendered paper. They have not made any urgent demand for it. But I quite believe that Super-calendered paper will play a more important part in the production of books than it used to do. Process work is becoming more common than line block for which ordinary machine finish paper was good enough.

President.—What about the account book paper? Do you make it?

Mr. McLatchie.—We make very large quantities on this side of India. The supply is almost entirely Indian manufacture.

President.—Is it not largely the white printing paper that meets the demand?

Mr. McLatchie.—It is ordinary white printing quality, as far as quality of the material in it is concerned. It is only made in thicker substances than the average white printing and greater care has to be taken in the sizing. There is no doubt as to what purpose the paper is put to. It is used for account books. Otherwise it is similar to our white printing.

President.—Is there anything different in the surface as compared with your ordinary white printing?

Mr. McLatchie.—I should not say to any appreciable extent.

President.—As regards the imported account book paper, they lay stress on the fact that it is a glazed, hard surface, strong paper.

Mr. McLatchie.—It has good writing surface. It is not glazed in the sense in which they mean Super-calendered.

President.—Do you attempt to get the same quality in your account book paper?

Mr. McLatchie.—We give a very reasonable match of the hard surface they call for.

President.—They definitely say "It is in imitation of this paper that the country mills have lately brought out what they call I. A. B. quality but this has hardly the surface and strength of the imported rival."

Mr. McLatchie.—Of course the imported rival is of recent introduction. We have been making account book paper for the last 20 years to my own knowledge. The imported paper is used to a very small extent on this side of India. On the Bombay side it is almost entirely imported paper.

President.—But the point is this. Unless you give your paper the quality which the Bombay consumer wants, you won't be able to sell on that side of India except at a sacrifice.

Mr. McLatchie.—I believe that if we could put our paper in Bombay at the same price as the imported article our paper would be accepted to a fairly large extent.

President.—It has been suggested that the Bombay consumer would not pay the same price as he would pay for imported paper, because the imported paper is better for his purposes. On that side of India they prefer a glazed hard surface. The reason is apparently because people commonly write with a bamboo pen which is apt to cut through the paper unless it is fairly resistant.

Mr. McLatchie.—I think that the same condition of writing is applicable to the Calcutta merchant as to the Bombay merchant.

President.—I would not assume that by any means. I don't know what the facts are, but it is never safe to assume that the conditions are the same in such a matter in different parts of the country.

Mr. McLatchie.—I was really speaking from the writing point of view. If our paper stands up as it does on the Bengal side—we supply almost the entire requirements of the country on this side—we don't know why it will not be satisfactory in Bombay.

President.—Their requirements may be different. They may like a paper with a more glazed and harder surface. If they do, they won't buy your paper except at a price substantially below the price of the imported paper. You might not be able to oust the imported paper unless you succeeded in getting a harder surface and so on.

Mr. McLatchie.—It would not be a difficult matter. It is a matter of higher finish which really gives a harder surface. It is only slightly more pressed.

President.—Do you make much of Antique paper?

Mr. McLatchie.—We make as much as we can get orders for. We make both Antique-laid and Antique-wove.

President.—It is not a very important item?

Mr. McLatchie.—No.

President.—It is quite clear that it is a paper regularly made by the Indian mills.

Mr. McLatchie.—We regularly make and stock it.

President.—We had a good deal of discussion with the Titaghur Mills about the litho papers. We went into the question with the samples which the litho press had supplied.

Mr. McLatchie.—There are lithos and lithos. For instance, there is the quality which the Survey of India use. It is not made in this country. Then there is the ordinary printer's litho. There is no reason why it should not be made in India. But the real high grade litho is quite another class of litho.

President.—Some of the papers of which they have given specimens are just ordinary papers that are made in this country, but others are not made in this country.

Mr. McLatchie.—Lithos used in the case of map work will probably never be made in this country.

President.—Take the poster paper. The Titaghur people said that they don't make what they technically call poster paper but their printing paper is actually used for poster.

Mr. McLatchie.—I suppose all Indian printing papers are used to a certain extent for poster paper. Presumably what they mean is paper with one side rough and the other side smooth. It is not made in India but it can be imitated to a certain extent.

President.—What about cartridge paper?

Mr. McLatchie.—That is made in hundreds of tons by Indian mills. We make a considerable quantity of it.

President.—What is it used for chiefly?

Mr. McLatchie.—For envelope purposes, the largest consumer is Government.

President.—The Paper Traders' Association said that the imported paper is preferred on account of cheap price, superior surface and erasing qualities. Do you admit that the imported paper is superior?

Mr. McLatchie.—It is not superior, as compared to the Indian article. Of course if they have started to make the books of a very high grade paper like Watman's cartridge, which is a pure rag paper, and cannot at present be made in India

President.—What will its price be approximately?

Mr. McLatchie.—Anything from a shilling or 1s. 4d. a lb. That is drawing cartridge.

President.—You don't generally attempt to make these?

Mr. McLatchie.—No. We make the rough finished paper which is used for cheap class of work. Our big supply to Government is for money order forms and also for envelopes, that is, for work which receives a considerable amount of handling. The only papers that we cannot definitely tackle are Chrome, Flint and Playing cards. We can imitate poster paper. The rest the Indian mills could make, and it is largely a question of price. There is nothing to prevent us from making a mechanical wood super-calender paper, but we do not make it because a dealer can import it very much cheaper.

President.—But then you will have to import mechanical pulp?

Mr. McLatchie.—It is made on a news machine. It would not pay us to make it unless we can get a fair price to cover the standing charges, but there is no reason why it could not be made.

President.—The point is rather this. Inasmuch as it would really depend primarily on imported material, it is clearly not a manufacture in which India is at a natural advantage.

Mr. McLatchie.—In that case, of course, mechanical super-calender can be eliminated as a paper that cannot be made in India.

President.—But practically it would be exceedingly difficult to differentiate in the Tariff Schedule.

Then there were a few kinds of paper that were mentioned in the note that I sent to the mills. One is Marble paper.

Mr. McLatchie.—That is the same as Flint.

President.—Tissue paper?

Mr. McLatchie.—Tissue paper cannot be made. Stereos, embossed leatherette,—these also cannot be made.

President.—Then there is the Blue Match Paper.

Mr. McLatchie.—That is known as Pasting in the trade. It is a very thin paper and will paste easily and the colour will not run. That is not made in this country.

President.—We have had some evidence that it is only made in Norway.

Mr. McLatchie.—Yes.

President.—If so, and if a country like Germany has not thought it worth while to make it, it is extremely unlikely that India can profitably do so.

Mr. McLatchie.—It is a very thin substance, quite likely below demy 8 lbs. It might be indicated in that way in the Tariff Schedule.

President.—If you said something like “Blue Match Paper on narrow width reels” would there be any danger of misunderstanding it for anything else?

Mr. McLatchie.—I don't think so.

President.—It could not be used for any other purposes?

Mr. McLatchie.—Not easily.

President.—Then as regards grease-proof and gummed paper?

Mr. McLatchie.—These are well-known, and not made in this country.

President.—I don't know what they mean by Surface or Enamel paper.

Mr. McLatchie.—That is a trade term. They are really referring to paper of art nature.

President.—I would like to ask you about your wrapping paper. What imported paper is it that your brown actually competes with?

Mr. McLatchie.—Kraft brown is our principal competitor.

President.—Is that the thing you have chosen for comparison? I think it is kraft that you use for purposes of comparison. You have given the c.i.f. price, but you have not taken duty into account in the figures of Rs. 360, 338 and 320. That is the duty-free landed cost of kraft, whereas what is wanted from you is that it should be duty-paid. I think the other kinds are all duty-paid price, whereas this is duty-free.

Mr. McLatchie.—I do not know how that slipped in there. We should have taken Rs. 465, 444 and 425.

President.—What is the kraft that you have given with the exchange at 1s. 6d.? You have put down “Free, delivered into Importers godown” 3 annas $\frac{1}{2}$ pie? Your cost price will be below that?

Mr. McLatchie.—Yes.

President.—Does your paper possess the same qualities as the kraft does?

Mr. McLatchie.—No, it does not.

President.—What is the difference between them?

Mr. McLatchie.—Ours is not quite so tough.

President.—What is your Brown Wrapping? What is it made of?

Mr. McLatchie.—It is made principally of jute?

President.—What would the kraft be made of?

Mr. McLatchie.—S^o white pulp or Sulphate pulp.

President.—Why is it that the consumer is willing to pay approximately the same price for your paper? Is the price that you get for your browns pretty near to the price for the imported kraft?

Mr. McLatchie.—Yes.

President.—Why is the purchaser willing to give more, or nearly the same price?

Mr. McLatchie.—Because of the facilities with which a dealer can buy. When he is importing he has to buy in large quantities, and there are certain facilities which we give them in the way of enabling them to obtain our paper in smaller quantities.

President.—Is it impossible from Indian material to make an equally strong paper?

Mr. McLatchie.—It is impossible to match that kraft with the material we have.

President.—If that is so, it is not very clear what is the good of giving protection as regards this particular kind of paper.

Mr. McLatchie.—Until the kraft appeared on the scene, our packing paper was used.

President.—It is a point to be considered. If the kraft is definitely superior and cannot be matched in this country, then has the country any natural advantage for manufacturing that kind of wrapping paper?

Mr. McLatchie.—We could make imitation kraft. We can import the pulp from which it is made.

President.—You can no doubt import pulp and make it into paper in India, but on that basis you would not be entitled to protection, would you?

Mr. McLatchie.—We could make very good imitation kraft but we could not make the real kraft at present.

President.—The price that you have given us for imported kraft, is that for real kraft?

Mr. McLatchie.—Yes.

President.—Would the imitation kraft be a good deal cheaper?

Mr. McLatchie.—No. It would be slightly cheaper but it would not be quite so strong. Kraft is actually made in Sweden. The English mills make what is known as kraft but which is really imitation kraft. Ours would be the same. It is a speciality in packing paper.

President.—Then Manilla and Kraft are about the same price?

Mr. McLatchie.—They are.

President.—Which of them is imported in greater quantities?

Mr. McLatchie.—I should think at the moment kraft is the paper which is coming in fairly large quantities.

President.—Is it replacing Manilla as well as the local wrapping paper to some extent?

Mr. McLatchie.—The Manilla that is coming in is of a much heavier weight than kraft and is used for luggage labels, thick envelopes and so on, whereas kraft is used for packing purposes. Manilla is a manufactured stationers' paper and is not used for packing in the ordinary sense of the word "packing paper."

President.—Does any of your paper compete with Manilla?

Mr. McLatchie.—We are making a Government Manilla paper which is a thick paper. There is only a small demand in the Indian market for manilla.

President.—Does your paper to a limited extent compete with manilla?

Mr. McLatchie.—It does, and if a man is prepared to give a big enough order for it, there is no reason why we should not make it.

President.—What is the Manilla largely supposed to be made of?

Mr. McLatchie.—If a real Manilla paper is wanted we should use hemp and jute.

President.—Where would you get the hemp from?

Mr. McLatchie.—Country hemp. It is a very suitable material for paper making.

President.—Then there is no reason why you should not make it?

Mr. McLatchie.—No reason, if there is any demand for it.

President.—Is the demand small?

Mr. McLatchie.—It is exceedingly small. Government are by far the largest consumers.

President.—Then you have given us the prices of Browns Nos. I and II Mechanical. Do you make any of these?

Mr. McLatchie.—From time to time when we have waste materials which we cannot make anything else of, and we run it into what we call "nature brown."

President.—I presume you won't ask for protective duties to enable you to encourage what you cannot use?

Mr. McLatchie.—No.

President.—They would naturally be left out?

Mr. McLatchie.—Nature brown is just half the price of kraft brown.

President.—Anyhow it would not be any good to the paper manufacturer in India to put a duty on these browns if they are coming in at £15. Supposing you put a duty on it and raised the price to £30, nobody would come and buy browns at that price surely?

Mr. McLatchie.—It comes in the same category as the news.

President.—We come now to blotting paper. The Calcutta Paper Traders' Association in their representation say "the Indian blotting paper for the price is good value; imported blottings at the same price or cheaper price have very little absorbant quality, which is essential in blottings. The better grades are almost all English-made, selling at about 10 annas per lb. and so is not a competitive line." What I want to know is how far you agree with this statement, which amounts to this, that the English paper is so expensive that it does not compete, but the Continental does, but it is not so good?

Mr. McLatchie.—Continental blotting is made almost entirely from wood, whereas the English blottings are very largely rag blotting, just as the Indian blotting is a rag blotting. It is the Continental blotting which is a competitor to the Indian blotting.

President.—They say you do not require protection because yours is a better blotting paper.

Mr. McLatchie.—It is a better blotting paper.

President.—Let us see how it compares in price. You give the imported price of blotting paper as Rs. 373. There again the duty-free price has got into the figures instead of the duty-paid.

On page 2 you give against blotting Rs. 420, 395, 373. Loking back it appears that these are duty-free prices. The duty-paid price is Rs. 525, 500 and 478. Against that you are actually realising in Calcutta Rs. 682.

Mr. McLatchie.—Interleaving blotting is the only blotting which comes into competition.

President.—Is there really any danger? Are you really suffering from foreign competition?

Mr. McLatchie.—I do not think we are suffering from it.

President.—Apparently they are able to get a higher price under cover of your prices. They are selling about 13 pies above the imported cost.

Mr. McLatchie.—They have a very big margin.

President.—The Calcutta Paper Traders' Association told us if there is any good margin it is only this interleaving blotting that comes in. There is no particular point in putting on a duty, because you are already getting a better price than the imported.

Mr. McLatchie.--The Indian mills do not suffer any excessive competition in the line of blotting paper.

President.--It is not clear from the figures you have put up that a protective duty on blotting paper would do you any particular good.

Mr. McLatchie.--The Indian blotting is used for ordinary purposes. The demand for blotting paper is very limited.

President.--The total amount is not much. But it does not seem that there would be any particular result in putting a higher duty. I don't quite see how the thing would be effected. You might bring this to the notice of Mr. Carr and see what he has to say about it.

Mr. Kale.--Are any Continental papers coming into the country as British made? Have you any information on that?

Mr. McLatchie.--I have no information on that point, but no doubt a lot of Continental paper goes to England and is shipped out again to India and the Colonies.

Mr. Kale.--It has been pointed out that the expense involved in this process is so heavy as to be practically prohibitive, and it won't pay anyone to ship that paper from the Continent.

Mr. McLatchie.--Admittedly it means expense and if it is on a cheap paper it could not bear it. But if it was on anything in the nature of wood-free printing, it might be able to bear that expense of changing labels, etc.

Mr. Kale.--Have you any direct information?

Mr. McLatchie.--We have no direct information. We have only hearsay.

President.--I do not know whether you have read the evidence given by Mr. Raitt and Mr. Pearson. They made a number of statements about the future of the manufacture of paper from grass and as to Mr. Raitt's process of fractional digestion. What occurred to me was to give the mills an opportunity if the statements of Mr. Raitt and Mr. Pearson are open to any question in any respect.

Mr. McLatchie.--I have read through the evidence of these gentlemen.

President.--Mr. Raitt claimed that the adoption of his process would give an advantage in bleaching cost and things like that. Are the Bengal Mills in a position to express any opinion on that?

Mr. McLatchie.--I am afraid we are not in a position to express any opinion. We have not carried out any of his fractional digestion.

President.--Is there anything on which you would like to be heard?

Mr. McLatchie.--No.

President.--So far as you know, Mr. Carr has nothing particular to add?

Mr. McLatchie.--No.

Witness No. 4.

**THE TITAGHUR PAPER MILLS COMPANY, LIMITED,
CALCUTTA.**

A.—WRITTEN.

Statement I.—Replies to questionnaire. (Letter, dated 25th June 1924.)

With reference to our letter of yesterday's date, we now enclose two fair copies of our questionnaire replies.

With reference to Question 131, we have decided that the part of the reply which was typed on a separate slip "Continuation from 131" should not be published and that we should prefer to give the information orally. Please, therefore, detach the slips from the replies already sent you and return them to us as soon as possible.

If our replies to the questionnaire are to be printed we should prefer to see a proof before the final order to print is given so that we should have the opportunity to make any revisions which are necessary and to decide finally whether it would be advisable to publish all the figures which we have given in our replies.

REPLIES TO QUESTIONNAIRE.

I. INTRODUCTORY.

1. The Titaghur Paper Mills were first established as a small mill in the year 1882. It is a public registered Company.

2. It is difficult to ascertain the exact proportion of Capital in the Company held by Indians, owing to the practice of holding scrip on blank transfer, but from registrations which have been made, and from other sources of information we would estimate the proportion to be about 70 per cent. The Company have three Indian Directors on the Board.

The superior management is imported, as it is necessary to have men in touch with the newest methods employed in Europe and America in this industry, but many of the higher subordinate posts in the mill are filled by Indians trained in our Works, and the Chemists are almost entirely Indians. Also, this industry is one which requires a man to be trained from a very early age in a practical manner in mills and there is no class of educated Indian trained in this way available.

3. The Company manufactures pulp for its own requirements only, otherwise it is entirely occupied in the manufacture of paper.

4. The Titaghur Paper Mill commenced to manufacture paper in the year 1884 and has been extended at various periods, the last additions to machines having been made in the year 1905.

The Kankinara Mill commenced to manufacture paper about the year 1894 and was taken over by the Titaghur Paper Mills in the year 1903.

5. The two mills together are at present equipped for the manufacture of—

(a) 17/18,000 tons pulp annually for ourselves.

(b) 20,000 tons paper annually all varieties.

6. (a) From our records the actual outputs were as follows:—

	Tons.
1911	16,415
1912	17,052
1913	17,024
1914	18,451
1915	19,595
1916	20,719
1917	20,078
1918	23,096
1919-20	18,970
1920-21	18,018
1921-22	15,750
1922-23	13,312
1923-24	15,585

(b) No pulp has been manufactured for sale.

7. The mills are situated, one at Titaghur and the other at Kankinara, on the Eastern Bengal Railway.

(a) Reasonably so. The areas have been developed from the centre where the mills are.

(b) Yes, with coal.

(c) The whole of India is the market for all paper mills.

(d) Paper mill skilled labour is sufficient having grown up around the mills where they are, and having been taught and developed with them. For the supply of unskilled labour the two sites are suitable.

In selecting the site of a paper mill in India it is necessary that it should be as far as possible central to its markets and its raw materials, with a plentiful supply of clean fresh water all the year round. Proximity to coal or other fuel is also essential, and the vicinity of a sea port for the import of materials and machinery and the export of finished product by coastal routes.

8. Approximately the percentage is as follows:—

	Per cent.	
White printings	50	} This is a general figure and subject to some alteration according to the demands of the markets.
Writings	20	
Browns, badamis and news	30	

9. (a) Writings, printings and wrappings.

(b) We manufacture some lines which can be classified as good though there is an importation of some small quantities of special papers such as ledger papers and hand-made writings for the manufacture of which special mills cater in Europe, and with which Indian mills do not compete. Our grades would be classified by the trade on the whole as medium, which is what the trade generally demand, and are similar to the productions of the average mill in Europe, and such as are used for general purposes. 10 per cent. may be classed as special qualities. The Titaghur Mills are equipped to make all kinds of paper, both good, medium and even inferior, though the tendency is steadily to improve and make better class papers, with the exception of the very high grade papers mentioned above.

10. Yes. We are compelled to manufacture a large variety in order to meet competition offered by the importers, and owing to there being an insufficient number of mills in the country to admit of specialising in qualities

and interdealing on the British system while as a whole catering for all kinds in demand. Specialisation tends to reduce cost of manufacture, and this will, no doubt, be naturally evolved if the industry is encouraged. The Indian manufacturer is certainly at a disadvantage while conditions compel individual mills to produce so many different kinds and the remedy can only come with the expansion of the industry. Also the Government Departments require a large number of different kinds.

11. The Titaghur Mills manufacture their pulp by the soda process.

II. RAW MATERIALS.

(a) Primary.

12. The primary raw materials used in Titaghur Mills are Sabai grass, imported woodpulp, rags, and waste paper.

13. Working at the full capacity of the plant, which is the object necessarily in view, the mills could consume about 30,000 tons annually of Sabai grass, 5/6,000 tons of imported woodpulp, and 4,000 tons of rags and waste paper as required, according to the grades of paper made.

Owing to the competition of imported papers we are only now consuming at the rate of 24,000 tons grass, with other raw materials in proportion.

14.

Grass	45 cwts.—1 ton pulp.
Rags	30 cwts.—1 ton pulp.
Woodpulp	1½ tons into paper.

15. 26½ cwts. unbleached pulp to give 1 ton paper.

16. As regards Sabai grass, the estimate can only be approximate.

At present the mills have developed the sources of supply as far as economically possible to enable them to manufacture in competition with imported papers. There are, however, some 11/12 lacs maunds in our fields provided it paid to work out the additional quantity, which at present it does not. Undoubtedly further supplies could be found and made available by further investigation and by going further into present fields at a higher cost for collection. The present necessity for the mills, however, owing to the pressure of competition is to reduce costs for raw materials wherever possible. This statement refers to the areas worked by the present mills and as regards other Provinces we have not sufficient definite information to make a statement. Importation of woodpulp is dependent upon the cost of collection and conversion of other raw materials in proportion to the varying prices of the pulp offered from Europe. As regards rags and waste paper, the limit on the Eastern side of India has been reached, both as regards quantities of supply and the cost.

17. The Titaghur Paper Mills draw their supplies of Sabai grass from Sahebgunge, Rewa, Nepal and the United Provinces. The areas from which we obtain our grass supplies are as follows:—

Western Circle in the United Provinces .	Approx.	4 lacs maunds.
Nepal	Approx.	3 lacs maunds.
Sahebgunge (Bihar and Orissa) and Eastern Circle (United Provinces) .	Approx.	4 lacs maunds.
TOTAL .		11 lacs maunds.

Average distances from collecting areas to mills are:—

	Miles.
Western Circle	920
Nepal	580
Sahebgunge and Eastern Circle	230

18. Supplies are cut and collected under contract. Means of transport employed between the fields and despatching stations are coolies, carts, camels and bullocks. From despatching stations to mills by rail. Average distances between field areas and despatching stations and on to mills are:—

	Field Areas. Miles.	To Mills. Miles.
Western Circle	20	900
Nepal	30	550
Sahebgunge	18	212

19. Royalty is a fixed amount and is payable yearly irrespective of the quantity of grass extracted from the Western and Eastern Circles and Nepal. The Sahebgunge area royalties are paid by the contractor who supplies to the mills from this area.

	Yearly. Rs.	
Western Circle	77,500	Government royalty.
Western Circle	1,00,000	Salami.
Nepal	80,000	Nepal Durbar.
Eastern Circle	10,251	to Government.

20. In 1913-14, we did not work any grass areas, but purchased our total requirements from sundry contractors at Rs. 1-12 *per cwt.* delivered mills.

Figures available for season 1922-23 on a very curtailed consumption of an abnormally small working owing to renovations at mills are as under:—

(a) *Royalty*—

Western Circle	2,463 tons ($\frac{1}{2}$ of full working)	Rs. 63-15 per ton.
Nepal	4,255 tons ($\frac{1}{2}$ of full working)	Rs. 20-7-6 per ton.
Sahebgunge	7,637 tons	Rs. 3-6 per ton.

but on a full working capacity of 3 lakhs of maunds each area the figures would be—

Western Circle	Rs. 14-3-1 per ton.
Nepal	Rs. 8 per ton.

(b) Approximately labour employed by Titaghur Mills in all the areas 16,000 hands.

(c) Freight by road from field to despatching station, Rs. 15-4 per ton.
By rail from despatching station to mill—average over all areas, Rs. 13-8 per ton.

(d) Miscellaneous (cutting, baling, supervision, buildings, etc.) (the average royalty of Rs. 19 per ton for 1922-23 is included in this figure), Rs. 31-4 per ton.

21. To cut and export as much grass as possible and no other forest produce.

The cessation of cutting and collection in April is a great difficulty and it would assist the mills if the Forest Department could give a longer time. This would relieve the pressure of collection considerably and would consequently reduce costs over all, and avoid what generally happens, *viz.*, the leaving of a certain quantity of cut grass in the forest which cannot be

collected in time. This would also have the effect of increasing the yield from the areas under work in each year.

With regard to royalties as regards the United Provinces in view of the fact that apart from the Paper Trade Sabai is very largely a waste product in the forests, we are of opinion that the royalties might reasonably be reduced to at least half. If the practice of annual burning of grass clumps could be permitted it would undoubtedly help to improve yield and keep down weeds among the grass.

22. Taken as a whole when care and attention is given to the grass fields, there should be no marked deterioration. This entails annual weeding of the grass clumps when growing and to make this worthwhile long term Leases are essential. This has been a difficulty in Sahebgunge but with careful attention, under the conditions outlined and with careful cutting, it is our opinion that there should be no need to anticipate deterioration in the quality or quantity.

23. The mills are now drawing Sabai grass from larger areas than before the war owing to the following reasons—

- (a) The increase which took place during the war, and which has still been maintained to some extent since, in the price of imported woodpulp.
- (b) The consequent competition among the mills for the supply of Sabai, and other materials.
- (c) The necessity for establishing an assured supply of raw materials, at a more or less stable cost, in the hands of the mills, outside of dependence upon contractors, who would naturally raise their price with the rising prices of other raw materials. In this connection it must be remembered that there is no regular market for these materials, such for instance as there is for jute which would give the mills an opportunity of buying from various sources of supply, or from a number of suppliers and they therefore either had to take up and work the fields themselves, or be dependent upon one or two contractors experienced in this work who might or might not take unnecessary advantage of the position. We therefore took up the Western Circle areas in 1919-20. These have proved expensive holding up-to-date but with full working this next year, we hope to get grass at economic rates. These areas will not be worked at their cheapest until a pulp mill is erected near the grass fields and the freight on the raw material saved, which should be a paying proposition if protection is given to pulp.
- (d) Another cause which determined the mills to take this action was the actual establishment of another factory and other projected schemes which might have competed, and which still might compete for the supplies of raw materials.

If bamboo, or other primary raw material, came to be developed, the expansion of the trade would be able to go on, and would only be again limited by markets.

24. Contractors do not keep records to this extent. For our own working we refer to Nos. 20 and 23.

25. This question is answered by the replies as above under Nos. 16, 22 and 23.

26. In our opinion this question as put forward by Mr. R. S. Pearson is regulated by—

- (a) Competition of price of imported papers, wood free, or otherwise, and
- (b) The price for imported easy bleaching pulp.

Apart from the question of other kinds of grass as dealt with later on the mills are not using to-day the total quantities of raw material which are available, but as stated above it is purely a question of cost as it means

going further afield, and to-day the economic limit has been reached for costs, to make paper in competition with imported papers at to-day's prices. If the intention is to foster local manufacture of pulp we reckon that additional considerable quantities of materials are available by going further into present fields and from other fields which the present mills have not prospected as being outside the range of economic working. The economic course would be to make pulp near the grass fields, but capital is lacking which might come forward with the industry on a more stable basis.

27. This question is answered as above.

28. Undoubtedly paper of very good quality can be made out of certain classes of bamboos, though we hold the opinion that grass paper is in some respects more suited to the present Indian market. Some suitable papers might be made by the combination of the two materials.

29. The main advantage, which the information we have been able to obtain seems to show of the use of bamboo as compared with pulp woods is that by cutting bamboo in rotation over 5 years the growth renews itself during that period whereas pulp wood forests are either destroyed, or take much longer periods of at least 40 years for renewal even where they are treated with all the resources of forestry. One point, however, in the use of bamboo of which as yet there is very little tabulated information in India is that of the flowering period, which is supposed to be once in every 30/40 years, and in which year whole areas of bamboo die out entirely after flowering, and take from 3/5 years again to attain full growth. It is stated that this seldom occurs, however, except in sections of the forests, and not in a complete forest all at once, but on this point information seems very lacking.

30. (a) Sabai and other grasses renew themselves annually. Apart from this fact and bearing in mind reply No. 29 there are undoubtedly further quantities of bamboo available of qualities suitable for making into paper, in Burma and in India.

(b) Continuity of supply would seem assured, apart from the question of flowering.

(c) Accessibility depends almost entirely on the situation of the bamboo forests with reference to transport especially by water. Unless mills can be placed in close proximity to bamboo forests, the bulkiness of the raw material makes transport a very serious consideration. Areas have, however, been prospected, from which it would seem possible to draw supplies in sufficient quantity to justify the erection of plant.

(d) Apart from the cost of extraction to the mill the manufacture of bamboo into paper presents no great difficulty and the yield is good.

(e) Good quality paper can be made from certain classes of bamboo in conjunction with other raw materials.

31. Several other grasses have been tested and examined over the past 20 years in comparison with Sabai. None of them, however, gave a sufficient yield to make them attractive in comparison, or in cost of collection or accessibility.

32. The answer to this is contained under No. 13 and No. 16.

33. Not particularly, but during the war competition forced up figures of royalties.

34. We import no other primary raw materials but wood pulp, and this is chiefly for production of special kinds of paper, or for other technical reasons.

(I) C. and F. price £14-15 (about £12 f.o.b. last quotation).

(II) Calcutta.

(III) Freight 50s. per ton. Insurance 11s. 6d. per cent.

(IV) 7s. 6d. (seven shillings and six pence).

(V) 3s. per ton.

(VI) Nil

35. We are now on the point of receiving concessions from the railways for rail freights on grass. This was a suggested assistance to the mills mentioned by the Indian Industries Commission and we should naturally hope that we should receive assistance in this respect, which the railways can reasonably give as it is both to their advantage, as well as to that of the industry, that this large carrying trade should be retained in the country. We should wish to have similar concessions on our other country raw materials as, for instance, lime, clay, rosin, as well as on coal, considering the large ton mileage.

(b) *Auxiliary.*

36. The chief auxiliary raw materials used in the Titaghur Mills are as follows for 1922-23:—

(a)

Materials.	Quantity.
	Cwts.
Acid	1,032
Alkali	65,235
Alum	27,425
Rosin	8,211
China clay	53,994
Lime	96,334
Salt	37,590
Dyes	452

37. (b)

Acid	7,415 lbs.
Alkali	4,188 cwts.
Alum	1,759 cwts.
Rosin	58,996 lbs.
China clay	3,464 cwts.
Lime	6,180 cwts.
Salt	2,411 cwts.

The quantity of dyes used per ton of finished paper over a year is negligible.

38. (a) *Alkali (from Magadi Soda Company), alum and china clay, salt.

(b) Acid, rosin, china clay, lime.

(c) Bleach and caustic.

	Salt (bought from Salt Golahs).	Alum.	China clay.
(a)	Britain	Britain.	Britain.
(b)	. . . . .	£7-15 f. o. b.	£3-3 f. o. b.
(c)	. . . . .	Calcutta	Calcutta.
(d)	. . . . .	Freight S. 26-3	£1-12-6 d.
		Insce. S. 1- p. t.	
(e)	. . . . .	Rs. 2 p. t.	Rs. 2 p. t.
(f)	. . . . .	Rs. 2-8 p. t.	Rs. 2-8 p. t.
(g)	Free	15%	15%

* Not importing at present.

Alkali.	S. Acid.	H. Acid.	Rosin.	C. clay.	Lime.	Salt.
(a) Cwts.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.	100 Mds.
Rs. 6-4 & 5-10-6	Rs. 5-9-7.	Rs. 17-8.	Rs. 14-10-8.	Rs. 2-8.	Rs. 1-10-4.	Rs. 95.
(b) Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.
Magadi	D. Waldie	D. Waldie	Crawford	Nagpur	Mailhar &	
Soda Co.	& Co.	& Co.	& Co.	Clay Co.	Sylhet	
					Lime Co.	

Bleach and caustic are manufactured from lime, alkali, acid and salt, which are local purchases as particulars above.

Costs as per statements, Form "V."

Our mills are fitted with up-to-date plant for making chemicals and soda recovery.

39. (a) Local products have during the war been fully exploited, *vide* Indian china clay and the manufacture of chlorine and caustic, alumina and rosin, and there is no reason why this should not be continued and expanded in the event of the industry's expansion.

(b) Dyes are never likely to be manufactured in India until local products can compete with German synthetic dyes which are thoroughly suited for paper manufacture.

III. LABOUR.

(a) Field Labour.

40. About 16,000 labourers are employed by ourselves and contractors in extracting and collecting grass for our part of the industry, and this figure is growing. (In addition to this there are a large number of men employed by contractors in collecting, sorting and baling rags and waste paper and a considerable number employed, amounting to about 550 daily, in the mills, for cleaning, picking and preparing these raw materials before conversion.)

(a) The total wages for our own portion of such labour in fields and mills amounted to about Rs. 3,45,000 in 1923. The field labour is irregular and works only for a few months.

(b) The average wages per man is 7 annas to 12 annas per day according to the class of labour employed and according to the work done. The wages in 1922-23 are about 75 per cent. higher than in 1913-14.

41. Each year special arrangements have to be made for obtaining this labour, towards the end of the rains.

42. Of the labour about 40 per cent. is indigenous and 60 per cent. imported very often from long distances. Generally speaking it is available in sufficient quantities.

43. The labour have to be taught how to collect, handle, clean and bale raw materials, and, as a whole, pick the work up fairly easily, but supervision of a capable nature is required always.

(b) Mill Labour.

44. Each separate technical process throughout the manufacture requires expert supervision involving the employment of skilled labour from abroad. Some of the Indian labour have become very good in the mill work after the experience gained and are given responsibility accordingly. Paper-making in all processes is a very highly technical industry.

45. With the mill working at full capacity, or working at rather reduced capacity the number of imported labour must be the same, as each process requires expert supervision under all conditions. At present the Titaghur Paper Mills employ twenty* such experts.

*See oral evidence.

46. Since the factory was established a large number of trained men have been taught, father and son, and have become a recognised paper-making labour force but still requiring expert technical supervision. It is anticipated that this will always be the case because the process of paper-making is always undergoing improvements and alterations and therefore there is need for men with European trained modern technical knowledge. The only way to acquire a knowledge of paper-making is to learn from boyhood and this is how the present skilled labour has learnt. Every encouragement is given them to do so. No apprentices have offered as yet on the technical side of paper-making in this country from among educated Indians to qualify for superior billets: it is doubtful whether they could so qualify without extended training in Europe in mills of different kinds making varying qualities of paper. There is, however, no reason why as the educated men take to industries, and the class grows, that men should not become available. They would have to understand that a long apprenticeship is necessary, and that when taught the mills would expect some return for their work.

47. Our imported men receive £35 a month as compared with about £20 a month in Great Britain.

48 and 49. Total both mills—Approximately 3,000.

		1914.	1923-24.
		Rs.	Rs.
Paper-making	{ Skilled	27	60
	{ Unskilled	15	25
Engineering	{ Skilled	30	70
	{ Unskilled	15	25
Total wages bill		4,56,739	8,98,376

Fifty per cent. increase granted in December 1920 (and additional sectional increases since then. Also the last full year was exceptional due to extra renovation work at the mills).

50. Usually the labour force is sufficient and is drawn from the vicinity of the factory.

51. (a) Yes.

(b) Generally speaking it takes from 2—3 men to do the work of 1 man in Europe. In addition to this there is always the irregularity of attendance to be considered.

52. We give medical attendance, and hospital free, housing for those requiring it, filtered drinking water, and other similar care and conveniences.

IV. POWER.

53. The Titaghur Mill has steam turbines generating electricity, and the Kankinara Mill steam.

54. See 53. Cost per unit is 6 pies. This compares favourably with rates obtained elsewhere under similar conditions. We anticipate a reduction owing to improved steam arrangements now coming into force as part of the renovations.

55. Yes. Coal.

56. The total quantity of fuel per unit of paper is 5.6 tons per ton of finished paper, including manufacture of chemicals, soda recovery, filtration and pulp-making.

57. The coal is largely from the Bihar and Orissa coalfields and is of different qualities and grades and the prices are from Rs. 10 to Rs. 14 per ton delivered at the mills according to grade. The railway freight is Rs. 4 per ton.

58. The Company does not own or control the source of the coal, but there is no reason to apprehend any failure in source of supply.

59. Does not apply.

V. MARKET.

(a) Paper.

60. There are no proper records, but it is estimated that the total annual Indian production of paper has been as follows:—

	Tons.
1909—1914	31,000
1915—1919	35,000
1920—1924	32,000

61. It is estimated that the total Indian demand for paper of all kinds was:—

(a) 90,000 tons yearly, including strawboards.

(b) 80,000 tons.

62. We should anticipate with the extension of Railways and Commerce, and also very much with the extension of education, that the demand for paper in India will increase substantially.

63. The market for the Indian mills is the whole of India almost without exception, including Burma; this excludes Ceylon.

64. In the matter of Railway freight Indian mills have a certain advantage over importers for a portion of their production, but the difference in the freight rates is negligible compared with the very wide difference between the prices of imported and country-made paper. Also, this advantage is only gained for wagon load consignments, *i.e.*, fairly large contracts, as small or miscellaneous consignments are charged for at the same rates as for imported papers. Twenty-five per cent. of our despatches to the various markets is made up of these small lots and is therefore charged at the higher rate of freight. These concessions are also not general but only to a few large up-country stations. One consideration which must not be lost sight of in this connection is the fact that India is the dumping ground for the surplus production of many mills in England, Sweden, and Germany and the question of competition up-country as well as the ports becomes very largely a question of how far these sellers or the importers concerned with them, are prepared to cut prices in order just to make sales even at a loss to the mills producing this surplus output, solely with the idea of keeping down their overhead charges, or realising cash for paper not required in their own markets.

65. It is not likely that paper will be exported from India for many years to come. In our opinion the immediate object of the industry, and those desirous of seeing expansion should be to cover all the Indian markets, as against imported, and dumped papers.

66. We supply a considerable quantity of paper to Government and details of our contracts with them since 1914 are as follows:—

	Tons.
1914-15	5,781
1915-16	5,781
1916-17	7,000
1917-18	7,700
1918-19	7,700
1919-20	8,215
1920-21	6,240
1921-22	5,660
1922-23	4,225
1923-24	3,290
1924-25	3,070

Prices paid to us by Government are invariably about 15 per cent. under nett market rates, and taking white printing, which forms the bulk of the business, our prices for the above periods were as under:—

	Per lb.	
	A.	P.
1914-15	2	1 $\frac{1}{4}$
1915-16	2	1 $\frac{3}{4}$
1916-17	2	6
1917-18	5	1 $\frac{1}{4}$
1918-19	5	9
1919-20	5	9
1920-21	5	3
1921-22	7	6
1922-23	4	3
1923-24	4	1 $\frac{1}{2}$
1924-25	3	10 $\frac{1}{2}$

As a whole the prices to Government are very considerably less than those prevailing in the market.

In comparison with lowest possible market rates at the time, we calculate that our Company alone on its contracts with Government showed to Government a very large saving by the low prices charged during the war years.

In addition to showing Government these savings in price, the mills met Government's full demands upon them which were 50 per cent. in excess of those pre-war notwithstanding that the bazaars offered opportunities for very large profits and a demand much greater than the mills' capacity to supply. The mills gave Government first call upon them for war requirements.

67. (a) Certain of the newspapers use Indian-made paper by reason of the facilities which the mills give them in getting small quantities as required and in not holding shipment stocks. This demand amounted in 1923 to 700 tons. Another reason is that grass paper lasts and handles better than woodpulp papers. The other newspapers, however, use cheap mechanical woodpulp paper which is cheaper.

68. With protection, yes.

(b) For Pulp.

69 to 72. Not replied to except as regards No. 70. As already mentioned imported woodpulp will be required always for the manufacture of certain qualities of paper. Bamboo might under certain conditions in time replace this to some extent.

VI. FOREIGN COMPETITION.

73. Sweden, Germany, Norway, Finland, Austria, and the United Kingdom.

74. The competition is keenest in those qualities in which the Indian mills are most interested, i.e., fine writings, printings and wrappings.

75. Mainly from Scandinavian and Finnish Chemical Woodpulp and Mechanical Woodpulp. Often also from a combination of the two. Also German paper made from all kinds of Continental pulps.

76. (1) The prices of foreign paper imported into India during the periods named were, so far as can be ascertained, as follows:—

					White printings.		Cream laids.	
					A.	P.	A.	P.
1912	.	.	.	.	2	0	2	4½
1913	.	.	.	.	2	0	2	4½
1914	.	.	.	.	2	0	2	4½
1917	.	.	.	.	7	0	7	6
1918	.	.	.	.	7	0	7	6
1921	.	.	.	.	6	6	8	6
1922	.	.	.	.	4	7	6	9
1923	.	.	.	.	4	1	4	3
1924	.	.	.	.	3	7	3	10

(II) The prices realised by us for the same qualities were:—

					White printings.		Cream laids..	
					A.	P.	A.	P.
1912	.	.	.	.	2	0	2	3
1913	.	.	.	.	2	0	2	3
1914	.	.	.	.	2	0	2	3
1917	.	.	.	.	7	0	7	0
1918	.	.	.	.	7	0	7	0
1921	.	.	.	.	7	9	8	9
1922	.	.	.	.	5	3	5	4
1923	.	.	.	.	4	5½	4	11½
1924	.	.	.	.	4	3	4	6

The prices in respect of foreign papers represent c.i.f. prices, *plus* Customs duty and landing charges, as exporters in Europe invariably quote c.i.f.

77. The Customs authorities at Calcutta and Bombay. It should be reliable if the average invoice prices for each particular quality of all imports were taken for the two months immediately preceding the time of the enquiry. Invoices or information from importers would not be reliable owing to the wide fluctuations which sometimes happen and the consequent possibility of their being able to produce current invoices which might not necessarily portray the true trend of the market as regards the prices of our imported paper. Our own information is supplied by our own salesmen and from investigation of import returns. We are also kept acquainted with the situation as regards to prices in Europe—by Paper Experts specially commissioned in England.

78. There are no Trade Journals or published prices in India except those issued privately. Our prices are regulated from time to time according to the prices of imported paper and our own cost of production. The prices at which paper is exported from London are in most cases below the cost of manufacture as quoted by European authoritative Trade Journals (see "World's Paper Trade Review," published weekly). The prices quoted in this Journal may be taken as fairly representing the prevailing rates both as regards cost of production and selling prices for the Home market as the case might be. Prices for export are generally a shade cheaper than for the Home market. Taking into consideration the cost of freight involved, paper is often delivered to Indian ports at prices representing 25—30 per cent. under delivered cost.

79. We have it on the evidence of the Trade Journals and Invoices for goods actually shipped to India that the prices at which goods are sold to

importers out here must be in the main, taking the sale individually, unremunerative to the mill selling. We know that owing to conditions peculiar to the paper industry all the world over, a mill must work fully and twenty-four hours a day owing to the necessity of a wide distribution of the heavy overhead charges if it is to bring its cost of production within reasonable range of the prevailing selling price. A paper mill in Europe is rarely regularly fully booked with orders showing market rates, but it finds it economical for the above reasons to accept orders for the balance of the output at prices under cost provided that the goods are to be sent to a distant market where the lower price will not affect the Home demand at higher rates and the stability of prices is of less concern than the maintenance of output.

80. Bombay, Madras and Calcutta.

81. The dumping of paper into India by European mills since the war at low prices is merely a reversion to the policy which was in existence in the few years immediately prior to the war as described in paragraph 79, and which nearly caused the liquidation of the local mills. It must be regarded as a permanent feature as the supply of paper in Europe at present rate of manufacture must exceed the possible demand for many years to come. The position has been more accentuated since the war owing to the depreciated exchanges of certain Continental countries and the high Indian exchange.

82. The following is a comparison of the rates of freight paid on country and imported paper to the more important up-country markets. Sea freight has not been added to the rates for imported papers, because as already explained in paragraph 76, foreign quotations are invariably c.i.f. (The freight on paper in bales is 50s. per cubic ton to Calcutta.)

Rates are given per pound of paper.

	Wagon Rate.	Miscellaneous Rate.
	Pies.	Pies.
Titaghur to Delhi (country) 896 miles . . .	1.74	3.36
*Bombay to Delhi (imported) 865 miles . . .	...	4.3

*Bombay is the port for imports to Delhi.

	Wagon Rate.	Miscellaneous Rate.
	Pies.	Pies.
Titaghur to Rawalpindi (country) 1,386 miles .	3.87	5.64
*Karachi to Rawalpindi (imported) 897 miles .	...	4.67

*Karachi is the port for imports to Rawalpindi.

	Wagon Rate.	Miscellaneous Rate.
	Pies.	Pies.
Titaghur to Hyderabad (Deccan) (country) 969 miles . . .	Nil.	5.42
Madras to Hyderabad (imported) 533 miles .	Nil.	2.72

*Madras is the port for imports to Hyderabad (Deccan).

	Wagon Rate.	Miscellaneous Rate.
	Pies.	Pies.
Titaghur to Lahore (country) 1,206 miles .	2.96	4.72
*Karachi to Lahore (imported) 756 miles .	...	4.0

*Karachi is the port for imports to Lahore.

	Wagon Rate.	Miscellaneous Rate
	Pies.	Pies.
Titaghur to Allahabad (country) 506 miles	1-01	2-70
Calcutta to Allahabad (imported) 514 miles	...	2-72

83. This has been dealt with in the preceding paragraph.

84. Our salesmen report that from their own experience undoubtedly paper of Continental manufacture is coming into this country without any indication of the country of origin, and is in consequence being confused with the British product.

In this connection we quote an extract from a letter received by our London Office from the Managing Director of an important firm in England who have a very large interest in and are in close connection with the paper trade.

“ Your trade is in a difficult position at the present moment and as every sheet of paper cannot be marked with the country of origin, and as it is a simple matter to change the wrapper and the label, I am quite certain that a considerable quantity of foreign paper, such as German, is being dealt with in the English market and as proof of this I saw at a large mill in the south of England, only a short time ago, a very large consignment of paper being taken from a steamer by motor lorries into the mill where the wrappers and labels were changed.

I was surprised to see it, but I had to believe my own eyes. Therefore, I have little doubt that a large proportion of the paper which is worrying you in India was made in Germany, but went to India *via* London, and I am afraid it will be a very difficult matter indeed, to meet competition like this as matters are at present.”

We have written to our London Office asking them if they can secure us any further information on this question.

85. (a) The cost of plant and machinery is naturally high to the Indian mills by reason of the additional freight, landing, duty and erection costs. The latter is on account of the comparative slowness of erection in this country owing to the insufficiency of trained erecting labour in cases of special plant of this kind and to the need of expert supervision which costs more here than in Europe. The Titaghur Mills plant and machinery is well written down out of war profits, and there is consequently no inflation of block. Even so it is difficult to show profitable results.

(b) The cost of expert labour is also undoubtedly in this as in other industries a disadvantage as compared with European mills. This should grow less as Indian expert labour becomes more available.

(c) Taking the present day cost of labour together with extra number required to do the same work it might be estimated that the cost of labour is much about the same.

(d) As regards the collection and transport of primary raw materials we have to compare fibres of great bulk such as bamboo or grass, collected over big areas in the first place and transported by rail, with timber containing big weight in small space, and transported very largely if not entirely by water floating in the pulp-making countries. It is reasonable to anticipate, therefore, that the Indian industry must always be at a disadvantage until such time as the distances of the European mills from their sources of supply become so great as to even up the discrepancy. Comparative figures of this sort are not available, but this, combined with the dumping of German paper before the war, undoubtedly had some effect in producing the non-dividend paying condition of the mills immediately before the war. Since

that time the consumption of timber of all kinds has been so enormous in Europe that, combined with the additional cost of labour of which one hears, one sees reflection in the increased cost of pulp. Conditions in India should improve, not grow worse.

(e) Indian mills can buy auxiliary raw materials and consumable stores on practically as cheap a basis as English mills, sometimes cheaper, though for imported goods, freight and Customs duty make costs higher. In addition, Indian mills have to maintain and finance larger stocks of stores which in some cases are liable to climatic deterioration.

(f) The Indian manufacturer is slightly to advantage as regards the larger markets in the matter of internal freight on finished goods, but this question is already fully dealt with and comparisons are given in 64 and 82.

(g) Naturally Indian paper mills as in other industries have to hold several months' stock of spare parts and mill furnishings which the manufacturer in European countries does not have to do to the same extent.

(h) We do not use much imported raw material except alum on which the Custom duty is 15 per cent. on the Tariff valuation, machinery parts including felts, jackets and wires—2½ per cent. *ad valorem*, dyes 15 per cent. on Tariff valuation, china clay (occasional supplementary shipments) 15 per cent. on Tariff valuation.

To the extent of the above duties we are at a distinct disadvantage as compared with the foreign manufacturer.

(i) At the present time the raising of any capital for an industrial project in India is almost impossible, and this applies equally to pulp or paper mills. Even if this were possible the cost of raising such capital in India would to-day be probably from 2—3 per cent. higher than in Europe. The advantage, of course, would go to the Indian Capitalist.

86. (a), (b), (g) are all permanent in our opinion. As regards (d), it is not possible to say how soon or how far the cost of primary raw materials elsewhere will go but there is always the probability of their doing so while Indian costs should decrease.

As regards (f) and (h), these depend upon whatever action Government may find it possible to take to assist the industry and as regards (i) it is reasonable to suppose that the cost of raising capital in India will, judging by past experience, be generally higher than raising it in Europe.

VII. EQUIPMENT.

87. Yes. For paper-making a complete 4 machine mill including all processes for turning country raw materials into paper is in our opinion the smallest economic unit possible.

88. Yes, for both.

89. 67 per cent. of the total capital expenditure spent on the mills was on plant and machinery.

90. Two 4 machine mills complete with grass preparing, boiling, beating and paper-making plant, causticising, chemical plant, and soda recovery. All plant of the best British makes erected at various periods from 1882 up to 1905 and modernised over the years 1921 to 1923.

91. With the elimination of dumping, or other similar forms of competition, we believe so; this is only possible since the mills were renovated.

92. Nothing revolutionary has occurred though new processes are always in course of being evolved and during the past ten years several such have been produced in various sections of the complete processes, many of which are still experimental.

93. We have since 1914 installed in the old mill electric drive, water filtration and chemical plant for the manufacture of bleach and caustic, and new modern steam boiler plant, and in both mills alterations and improvements in preparing, handling, and bleaching pulp, and other smaller items of economic and general improvement to mill plant. These, although expensive, are all either effecting actual savings, or have improved quality of output, and justified their introduction.

94. (a) For the present—No.

(b) For the present—No.

95. A large proportion of the items of such additions as have been made have had to be imported as they are produced by specialists in the trade in Europe and at present are not obtainable in India, though we understand one of the big firms of Continental makers have opened an office in Calcutta. A proportion of the auxiliary items have been made in India in our own and other workshops. Wherever possible, of course, fittings and castings are purchased locally as being the cheapest supply.

VIII. CAPITAL ACCOUNT.

96 and 97. (a) Nil.

(b) Rs. 12,55,896.

(c) Nil.

(d) Rs. 28,26,375.

(e) Rs. 4,30,578.

98. The above are the figures after depreciation has been written off. Since manufacture commenced Rs. 57,97,221 up to March 1923 has been written off for depreciation. In our opinion the block now stands at a very reasonable figure.

99. We regret that we have no data to enable us to reply to this very comprehensive question. As a general statement in our opinion the cost of new mills of the same size, on the same site, and working the same materials, would be not less than double our present block value.

The operating cost of a new mill depends upon many factors such as site, type of raw materials to be used, labour facilities and supply, and so forth. It seems hardly useful to make any attempts to compare what such cost might be without information as to these particulars. Speaking generally, however, it might be anticipated that a completely new modern mill ought, given equal conditions, to be cheaper in operation owing to the ability to introduce into the lay out all the most useful labour and material saving devices *ab initio*.

100.

	Rs.	
1917	30,802	} Machinery and plant represented by these sums includes— Electrolytic Bleach Plant Water Filtration Plant Soda Recovery Plant Modernizing present Plant.
1918-19	1,32,369	
1919-20	6,59,515	
1920-21	5,65,477	
1921-22	8,68,592	
1922-23	5,66,102	

Funds remitted at current rates of exchange when remittances were due.

101. 17½ lakhs ordinary, authorised, subscribed and paid-up.

6 per cent. Preference { Rs. 8,50,000 authorised.
Rs. 8,35,000 subscribed and fully paid-up.

102. 6 per cent cumulative. The Preference Shares have ranked for dividend since 1899 and they are now $1\frac{1}{4}$ years in arrears.

103. There are no Deferred Shares.

104. (a).

Date.	Capital.	SHARES.	
		Ordinary.	Preference.
		Rs.	Rs.
1882	Capital consisting of 6,000 Ordinary Shares of Rs. 100 each all issued and fully paid up.	6,00,000	..
1888	Increased by creation of 3,000 new Ordinary Shares of Rs. 100 each all issued and fully paid up.	3,00,000	..
1892	Further increased by creation of 1,000 new Ordinary Shares of Rs. 100 each, all issued and fully paid.	1,00,000	..
1899	Further increased by issue of 5,000 Preference Shares of Rs. 100 each, carrying cumulative preferential dividend of 6 per cent. per annum, all issued and fully paid up.	..	5,00,000
1902	Further increased by creation of 6,000 New Ordinary Shares of Rs. 100 each, of which 5,000 issued and fully paid up.	5,00,000	..
1905	Further increased by issue of 1,000 Ordinary Shares of Rs. 100 each, authorised in 1902, but so far unissued fully paid.	1,00,000	..
	And creation of 1,500 new Ordinary Shares of Rs. 100 each, all issued and fully paid.	1,50,000	..
	Also by creation of 3,500 Preference Shares of Rs. 100 each, carrying cumulative preferential dividend of 6 per cent. per annum and ranking for dividend <i>pari passu</i> with previous issue, of which 3,350 issued and fully paid.	..	3,3,600
	TOTAL ISSUED CAPITAL	17,50,000	8,35,000

104. (b), (c).

	Ordinary.		Preference.	
	Rs.	Per cent.	Rs.	Per cent.
1903 . . .	75,000	5	30,000	6
1904 . . .	75,000	5	30,000	6
1905 . . .	75,000	5	30,000	6
1906 . . .	87,500	5	50,100	6
1907 . . .	87,500	5	50,100	6
1908 . . .	87,500	5	50,100	6
1909 . . .	87,500	5	50,100	6
1910 . . .	87,500	5	50,100	6
1911 . . .	87,500	5	50,100	6
1912 . . .	87,500	5	50,100	6
1913 . . .	.....	<i>Nil.</i>	50,100	6
1914 . . .	.....	<i>Nil.</i>	25,050	3
1915 . . .	.....	<i>Nil.</i>	75,150	9
1916 . . .	1,05,000	6	50,100	6
1917 . . .	3,50,000	20	50,100	6
1918-19 . .	9,62,500	55	62,625	7½
(15 months.)				
1919-20 . .	8,75,000	50	50,100	6
1920-21 . .	8,75,000	50	50,100	6
1921-22 . .	2,62,500	15	20,250	3
1922-23 . .	.....	<i>Nil.</i>	.....	<i>Nil.</i>
	<u>42,67,500</u>		<u>8,79,275</u>	

105. Approximately 12 per cent.

106. 6 lakhs Debentures were paid off in 31st December 1917 and 4 lakhs Debentures on 31st December 1923. The present existing Debentures are 5 lakhs at 6 per cent. repayable in 1932 and 25 lakhs at 8 per cent. repayable in 1936.

Debenture Sinking Fund was started in September 1921 and stands at present at Rs. 1,00,000 but has not been added to since owing to lack of profits.

107. Total Reserve Fund of 30 lakhs was accumulated in the years 1918-1921. This was built up from surplus profits during war years and has since all been absorbed in writing off depreciation of plant and subsequent losses during reconstruction period. The result is that our assets now stand at a proper figure.

108. No further scheme of replacement or extension is immediately contemplated nor is it considered likely that the money market at present would respond to any call for capital for this, or other industrial purposes. This position might be changed by a sufficient protective duty. Even then further extensions or improvements would not be considered necessary for the immediate present. Loans raised, however, for financing the Company over this period should be capitalised when opportunity offers.

IX. COST OF PRODUCTION.

(a) Works costs.

109. See attached Forms.

110. In the years 1922-23 the cost of production was seriously affected by the fact that the mills were working at much less than the full capacity. Renovations were instituted in 1922, and the introduction of improvements in handling of stuff, and of more modern methods in both mills. These

extended into 1923, and necessarily interfered considerably with output until completion. Without exception all items were affected. They would probably have been reduced to something like the figures of 1923-24 if full output had been obtained.

111. The main reason is given below. We estimate that in future years with full capacity of working the Works cost will probably be 10—12 per cent. better. Cost of raw materials affects this question. Full capacity output will mean lower costs from the fields owing to increased collections, and if concessions in royalties can be given, with extended working period, and lower rail freights on all raw materials, this also will bring down costs proportionately more.

112. Yes. The last complete year's cost sheets are herewith produced. These are to be considered private and are not for publication.

113. The only information of which we are in possession is that obtained from personal reports and from trade reports which indicate that mill costs for white paper in England of a similar quality to that we produce is to-day round about 3½d. per lb.

This is from rough information obtained merely from trade reports as the mills in Europe naturally are not prepared to give pucca cost figures for publication.

(b) *Overhead charges.*

(i) *Depreciation.*

114. The Titaghur Mills are allowed 3 lakhs per annum depreciation free of income-tax and this sum we consider ample owing to depreciation having been very fully allowed during the war period.

Rates { 5 per cent. buildings.
7½ per cent. plant and machinery.

115. (a) *No. 1—*

	Rs.	Rs.
Buildings	20,39,862	
Less for land	1,25,000	
	<hr/>	
	19,14,862	
5 per cent.		95,743
<i>No. 2—</i>		
Buildings	9,28,563	
5 per cent.		46,428
		<hr/>
		1,43,171

Machinery and Plant.

	Rs.	Rs.
<i>No. 1</i>	41,62,623	
7½ per cent.		3,12,196
<i>No. 2</i>	25,74,807	
Less soda recovery	7,30,054	
	<hr/>	
	18,44,753	
7½ per cent.		1,38,357
		<hr/>
		4,50,553

Stationery, Plant and Machinery.

	Rs.	Rs.
<i>No. 2—</i>		
Soda recovery	7,30,054	
7½ per cent.		54,754

Other Assets.

	Rs.	Rs.
Furniture	1,11,293	
5 per cent.		4,565
Motor cars	33,605	
15 per cent.		5,790

115. (b)

	Rs.
Buildings	74,660
Machinery	2,17,102
Furniture	4,771
Motor car	4,852

116. We regret we cannot answer this question.

117. (a) 17,000 tons—Rs. 18·31 per ton.

(b) 20,000 tons—Rs. 15·07 per ton.

(ii) Working Capital.

118. (1) Say 60 lakhs.

(2) Say a further 6–10 lakhs.

119. We find it necessary to borrow to provide working capital.

120. 70 lakhs, Bank rate.

121. Works cost of one month's output is approximately 7 lakhs excluding overhead charges.

122. Average value of finished paper stocks is Rs. 12½ lakhs. Two months between production and payment.

123. Yes, coal and raw materials generally average alone Rs. 20–25 lakhs.

(iii) Agency Commission and Head Office Expenses.

124. Managing Agents in Calcutta of the Company are F. W. Heilgers & Co., whose Head Office in Calcutta is the registered office of the Company.

125. (I) About Rs. 1,20,000 per annum including branches.

(II) Fixed monthly allowance of Rs. 2,000 a month and 10 per cent. on nett profits.

126. By the Articles of Association 10 per cent. on nett profits available for dividends.

127. (I) Rs. 7·7 on present working. }
 (II) Rs. 1·43 on present output. } Rs. 6·6 on full capacity plus commis-
 Rs. 1·25 on full capacity. } sion on profits at present nil.

X. MANUFACTURERS' PROFIT.

128. 10 per cent. on ordinaries, no deferred shares exist.

129. (a) Preference Shares at, say, 8 per cent.

(b) Debentures at, say, 7 per cent.

130. Not less than 10 per cent.

131. (a) Rs. 11.25 on present output, Rs. 9.75 on full capacity.

(b) Rs. 3.25 on present output, Rs. 2.75 on full capacity.

(c) Rs. 14.75 on present output, Rs. 12.75 on full capacity.

XI. CLAIM FOR PROTECTION.

132. (a) The industry undoubtedly possesses an abundant supply of raw materials either already developed or possible of development.

(b) Power is dependent largely on the price of the coal, but taking conditions as normal a full supply of coal at reasonable rates should be always available for the present mills. The power question in the cost of a new concern would depend entirely on the local conditions.

A supply of labour for the present industry is sufficient. Any new concerns will undoubtedly have to train labour, but there is no reason to believe they could not do so in time in the same way that the present mills have done. As regards the supplies of casual labour this would also be dependent upon local conditions. In our opinion the Indian market, properly protected, should be sufficient for taking off the production of a considerably increased industry.

(c) At the present moment it seems that conditions are with us again similar to those prevailing before the war when the development of the industry was stopped, and when it seemed as if the industry would be closed down by the foreign competition. Dividends then had not been paid for 2½ years simply owing to the competition of German dumped papers and the same conditions are now being repeated. Unless steps are taken to check this by increasing the present protection, the industry cannot increase, and mills will be forced to close down.

(d) It is difficult to say at present what the trend of wholesale prices in the paper trade are likely to be, but it is reasonable to suppose that, if time is given to the Indian mills to build up their reserves again, and to develop full sources of raw material, so as to bring down costs of these, or to develop fresh sources, eventually this industry will be able to compete in India for the Indian market in face of fair foreign competition. The industry has not yet recovered from high costs resulting from post-war conditions and is also suffering from dumping by competitors.

133. (a) At the present moment the production of the Indian mills is not at their full capacity and they can undoubtedly increase their total output, tending to economy in costs of production.

(b) The present mills could not ever supply the whole needs of the country but there is no reason to believe that if foreign papers were excluded sufficiently to bring the whole consumption of suitable classes of paper within the scope of supply by Indian mills, that further mills would not be erected in course of time to supply the total consumption.

134. When it is considered that the paper industry employs annually at least 50,000 workers, that it supplies a very large tonnage of traffic annually to the various railways, that it consumes not less than a hundred thousand tons annually of coal, which entails the employment of the labour necessary for mining it, and large quantities of raw materials such as lime, and country china clay, that it is the chief purchaser of rosin produced in the country, and that by royalties, taxation, and in other ways, the industry adds to the revenue of the country, it may be fairly claimed that it is of importance on national grounds and deserves protection apart from economic

considerations. Also it is proved during the war, that the existence of paper mills as an essential industry is vital to the country. Army, Railways, Posts and Telegraphs, Hospitals (Civil and Military), Publicity Departments and Indian States and Stores Departments were all chiefly dependent on the Indian mills during this period for their main supplies. The Ceylon and Straits Settlements Governments had also to indent and contract at times. Nearly all the newspapers had to depend on us to keep them going. It is safe to state that if the Indian mills had not been there to give first call on their production to these public requirements throughout the war there would have been enormous disorganisation.

135. The question is not understood except in so far that it provides an outlet for raw materials produced in the country which otherwise would not be used, and that it is an industry which Indian labour takes a liking to and can acquire a knowledge of. It is an industry essential for the progress of any nation.

136. Protective duties should be imposed on all kinds of paper. This in our opinion is necessary because otherwise the tendency will be for the country to become flooded with low class papers, and so defeat the object of the tariff on higher grades, which is to develop the industry to supply all Indian requirements.

At present customs duty is collected on imports of paper on a tariff basis, the tariff being revised as may be necessary every year on the first of January. The rates in the tariff represent the average prevailing wholesale price at which paper is being sold in the bazars at the principal ports such as Calcutta and Bombay, and these rates are ascertained by the customs authorities through the Director General of Commercial Intelligence. This means that duty is levied according to the real commercial value of the goods in India and not on invoice c.i.f. value.

In praying for a protective duty of 25 per cent., it is with the understanding that this system of a tariff scale based on Indian market values will be continued, otherwise 25 per cent. on an *ad valorem* basis would be insufficient.

Some Native States are getting supplies coming in through British ports free of duty.

137. (a) It is impossible to say what may happen in the future in the matter of exchanges. If, however, the need should arise from such a cause or from (b) or (c) we take it that the matter could be reconsidered in the light of such fresh factors as may arise.

138. The amount of protection the industry is receiving at present is 15 per cent. on account of the customs duty levied on imported paper, *plus* Rs. 2-8 per ton cost of landing.

We have not considered the protection, if any, offered by cost of freight, etc., from country of production to India, because as already stated, exporters in Europe make their quotations c.i.f. and they have been regarded by us as such throughout.

139. 25 per cent. The reason for proposing the increase from the present 15 to 25 per cent. is that it is found at present that imported papers are, in spite of the present duty, being sold at a strongly competitive price in all the Indian markets, and rates which we have reason to believe the paper is not capable of being produced at. It is considered that the extra 10 per cent. should assist to reduce such forms of competition to a minimum as it will probably make the loss on such importations large enough to discourage the trade in this direction. 25 per cent. protection is necessary to enable the mills to maintain prices near present levels.

140. The industry immediately before the war, as already explained above, was in a very serious condition, largely as the result of the activities of the German Commercial Attaché to the Consulate General, this being one of the trades which the Germans were laying themselves out to capture at that time. The progress of the war staved off the danger of destruction of the industry

by this competition and during the war the industry had a short period of prosperity. During this time they were able to make up to the shareholders for the previous lean years, to pay off their arrears of Preference interest, to pay off some Debentures and to provide Reserve and Development funds. These latter have since been expended in the adjustment of subsequent post-war prices, and in bringing up the mills to a comparatively modern work and plant. Without this latter we could not now hope to compete even with the duty asked for. The industry is now again faced with the recrudescence of the dumping competition from which they were suffering before the war, based possibly upon the detailed information of the markets supplied to Europe by the Germans before the war, or at any rate working on similar lines, and having every appearance of the likelihood of leading to the same results, in spite of the efforts made by the mills during this short period of prosperity to improve their plant and conditions, and their supplies of raw materials.

141. It should be possible to reconcile the request for protection both for finished paper and for pulp. From the national point of view they are undoubtedly both most important. The only consideration which the paper makers would urge is that the protection on pulp be postponed for 2 years, which is a minimum period in which additional plant for the pulp industry could be erected, and during which period therefore it is unreasonable that the paper industry should be penalised with an additional charge upon part of its raw material. It will also give time to the paper mills to make such modifications in their systems as might be necessary to enable them to adjust their working to the increased cost of imported pulp when the duty is imposed. Under these circumstances the paper mill industry would be willing to agree at the end of 2 years from time of the added paper protection to a duty of 20 per cent. being imposed also on imported woodpulp, with the object of assisting the development of this industry in the country also.

From the national point of view there is in the opinion of the paper mills little to choose between the two industries, except, for the fact that in the papermaking industry there is an already established and very valuable asset to the industry of the country, whereas the pulping industry as such has yet some considerable way to go before its establishment can be considered accomplished.



FORM I.

Statement showing the Total Expenditure incurred on the production of paper during certain years.

(See Question 9.)

	1913-14.	1921-22.	1922-23.	1923-24.
	Rs.	Rs.	Rs.	Rs.
(1) Primary Raw Materials				17,88,321
(2) Purchased Pulp	19,34,043	48,19,750	14,31,310	15,91,766
(3) Auxiliary Raw Materials	8,79,470	35,30,607	14,86,155	14,05,441
(4) Mill Labour	6,09,854	11,79,400	10,78,117	11,54,859
(5) Power and Fuel	5,38,007	11,44,020	12,45,075	11,45,882
(6) Ordinary current repairs and maintenance of buildings, plant and machinery .	4,23,177	9,38,656	8,21,502	7,90,549
(7) General Services, supervision and local office charges	31,909	1,41,619	1,35,934	1,07,027
(8) Miscellaneous, e.g., rent, Municipal Taxes, Insurance, etc.	60,475	1,36,316	1,94,512	772
(9) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.	(2,42,138)	(7,20,654)	(5,50,035)	1,42,351
				(5,08,583)
TOTAL	47,19,073	1,26,10,422	94,33,105	86,35,251
Total production of paper for the year { Gross	17,630	15,750	13,312	15,585
{ Nett	17,145	15,346	12,888	15,036
INTEREST	(1,87,166)	(5,85,257)	(6,57,085)	7,56,047
TOTAL	49,06,239	1,31,95,679	1,00,90,190	93,91,298

FORM II.

Statement showing the works cost per ton of unbleached pulp.

	1913-14.	1921-22.	1922-23.	1923-24.	(Financial year 1st April to 31st March.)
		Rs.	Rs.	Rs.	
(1) Primary Raw Materials	126-403	153-378	155-469	
(2) Auxiliary Raw Materials	95-675	89-335	77-312	
(3) Mill Labour	18-544	18-159	14-223	
(4) Power and Fuel	21-241	21-327	17-194	
(5) Ordinary current repairs and maintenance of buildings, plant, machinery.	..	5-313	12-889	5-371	
(6) Miscellaneous, e.g., rent, Municipal taxes, insurance, etc.	The charges against these items are all included in On cost Charges and are charged direct to the cost of Finished Paper.
(7) General services, supervision and local office charges	
(8) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.	
TOTAL	267-176	295-088	269-569	
* Credit for materials recovered (if any)	
NET TOTAL	267-176	295-088	269-569	
Total Production of Unbleached pulp for the year . Tons	..	6,396-629	4,376-127	8,671-159	

* Already deducted from cost of Auxiliary Raw Materials.

FORM III.

Statement showing the approximate works cost per ton of bleached pulp.

(See Question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.	(Financial year 1st April to 31st March.)
(1) Manufactured Unbleached Pulp	Rs. ..	Rs. ..	Rs. ..	
(2) Purchased Unbleached Pulp	840-000	291-670	318-988	
(3) Auxiliary Raw Materials	140-000	24-000	20-000	
(4) Mill Labour	2-200	2-010	1-688	
(5) Power and Fuel	9-000	8-350	6-337	
(6) Ordinary current repairs and maintenance of buildings, plant and machinery.	..	7-750	7-100	5-687	
(7) General services, supervision and local office charges.	Included in On-cost Charges and charged direct to cost of Finished Paper.
(8) Miscellaneous, e.g., rent, Municipal taxes, insurance, etc.	
(9) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.	Ditto.
TOTAL	998-950	333-130	352-700	

FORM III (b).

Statement showing the approximate works cost per ton of Bleached Pulp.

(See Question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.	
(1) Manufactured Unbleached Pulp	Rs 311-705	Rs. 344-269	Rs. 316-961	
(2) Purchased Unbleached Pulp	
(3) Auxiliary Raw Materials	140-000	24-000	20-000	
(4) Mill Labour	2-200	2-010	1-688	
(5) Power and Fuel	9-000	8-350	6-337	
(6) Ordinary current repairs maintenance of buildings, plant and machinery.	..	7-750	7-100	5-687	
(7) General service, supervision and local office charges	Included in On-cost Charges and charged direct to cost of Finished Paper.
(8) Miscellaneous, e.g., rent, Municipal taxes, insurance, etc.	
(9) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expendi- ture.	Date.
TOTAL .	..	470-655	385-729	350-673	

FORM IV(a)

Statement showing the works cost per ton of Finished Paper.

	1913-14.	1921-22.	1922-23.	1923-24.
	Rs.	Rs.	Rs.	Rs.
(1) Primary Raw Materials	112-805	314-072	111-058	118-936
(2) Purchased Bleached Pulp				105-864
(3) Auxiliary Raw Materials	51-296	230-067	115-313	93-472
(4) Mill Labour	35-570	76-854	83-637	76-906
(5) Power and Fuel	31-380	74-548	96-607	76-209
(6) Ordinary current repairs and maintenance of buildings, plant and machinery .	24-682	61-166	63-742	52-557
(7) General services, supervision and local office charges	1-861	9-228	10-547	7-118
(8) Miscellaneous	3-527	8-883	15-092	9-519
TOTAL	261-121	774-818	689-232	540-481
Credit for Materials recovered (if any) . . . . .	..	..	..	..
NET TOTAL . . . . .	..	..	..	..
Total Production of Finished Paper for the year Tons	17,145	15,346	12,888	15,036

FORM IV (b).

Statement showing the works cost per ton of Finished Paper.

(See Question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
			Rs.	Rs.
(1) Manufactured Bleached Pulp	385	350-673
(2) Purchased Bleached Pulp
(3) Auxiliary Raw Materials	48	44-200
(4) Mill Labour	28	17-994
(5) Power and Fuel	138	74-388
(6) Ordinary current repairs and maintenance of buildings, plant and machinery	84	45-127
(7) General services, supervision and local office charges	112	67-460
(8) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure. }		
TOTAL	797	599-842
Credit for Materials recovered (if any)
NETT TOTAL	797	599-842

FORM V.

(1) RECOVERED SODA.

Statement showing the works cost per ton of Manufacturing certain Chemicals in Mill.*

(See Question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
(1) Materials	Rs. No value.
(2) Mill Labour	3-4
(3) Power and Fuel	30-2
(4) Ordinary current repairs and maintenance of buildings, plant and machinery	11-9
(5) General services, supervision and local office charges
(6) Miscellaneous, e.g., rent, Municipal taxes, insurance, etc.
(7) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.
TOTAL	45-5
Total production of Recovered Soda for the year Tons	746

* A separate Form will be used for each Chemical manufactured.

FORM V.

(2) PRODUCTION OF CAUSTICISED CAUSTIC.

Statement showing the works cost per ton of manufacturing certain Chemicals in Mill.*

(See Question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
			Rs.	Rs.
(1) Materials	247.18	220.5
(2) Mill Labour	5.49	5.5
(3) Power and Fuel	32.95	13.6
(4) Ordinary current repairs and maintenance of buildings, plant and machinery	3.42	3.0
(5) General services, supervision, and local office charges
(6) Miscellaneous, e.g., rent, Municipal taxes, insurance, etc.
(7) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.
TOTAL	289.04	242.6
Credit for Materials recovered (if any)
NETT TOTAL	289.04	242.6
Total production of Causticised Caustic for the year Tons	734.689	2,578.000

* A separate Form will be used for each Chemical manufactured.

FORM V.

PRODUCTION OF E. B. CAUSTIC AND BLEACH.

Statement showing the works cost per ton of manufacturing certain Chemicals in Mill.*

(See Question 109.)

	1913-14.	1921-22.	1922-23.	1923-24.
			Rs.	Rs.
(1) Materials	49-59	42-4
(2) Mill Labour	7-66	7-1
(3) Power and Fuel	24-14	26-5
(4) Ordinary current repairs and maintenance of buildings, plant and machinery	29-20	39-0
(5) General services, supervision and local office charges	3-85	2-5
(6) Miscellaneous, e.g., rent, Municipal taxes, insurance, etc.
(7) Any other single item not enumerated above which amounts to 5 per cent. or more of the total expenditure.
TOTAL	134-44	117-5
Credit for Materials recovered (if any)
NETT TOTAL	134-44	117-5
Total production of Bleach and Caustic for the year	1,801-393	2,568-5
Caustic	539-276	744-2
Bleach	1,262-117	1,824-3
Cost per ton Bleach	..	182	130	116
" " Caustic	..	230	137	123

* A separate Form will be used for each Chemical manufactured.

Statement II.—Letter from the Titaghur Paper Mills Company, Limited, dated 16th July, 1924.

The statements made by Messrs. John Dickinson & Co., in their letter of the 24th June, have been brought to our notice.

With regard to their heading No. 1, *Practical Training*, we have already brought into existence a very considerable force of trained Papermakers in all the Indian mills, and though the supervisory staff is still required, yet undoubtedly a day is coming when they will be able to be reduced to a minimum, and when the paper industry will be more and more run entirely by Indians, except for a few very highly trained Technical Advisors to keep in touch with the latest European methods. In course of time when the educated Indian interested in papermaking has taken to going home to make himself *au fait* with the most efficient modern and European methods, even these billets might become open to them.

Messrs. John Dickinson & Co. should know, if any one, that Technical Colleges and Universities will never make a papermaker, but only practical experience in various types of mills from early youth for a considerable term of years.

In the meantime we have men in every Department of the Works who are trained Indians capable of running such Departments with comparatively little supervision.

No. 4. We do not agree that the area in which developments can take place is a comparatively small one. During the past few years we have been informed of not less than 5 places in India at which the manufacture of pulp and paper from bamboo and/or grass is projected, and in each of which to the best of our information the conditions mentioned exist, at least sufficient to make the establishment of a factory possible. It is reasonable to suppose that there are others not yet prospected.

No. 5. (1) We do not agree. As we have stated in our written evidence the market for each of the Indian mills is the whole of India already, and the result of the imposition of a protective duty would in our opinion be exactly the opposite of that claimed by Messrs. Dickinson & Co.

No. 5. (2) This is no new point but was raised first of all by the Indian Industries Commission in 1916 by Sir Thomas Holland. The understanding then arrived at was that the incidence of an import duty on the individual user would, owing to the relatively low value of the article itself, be so infinitesimal that it would in no way interfere with the use of paper for either Literature, Business, or more important Education. The total proportion of the cost of writing materials as compared with the cost of the other items which together constitute the necessary paraphernalia of Education, including School Houses, Teachers, Furnishings, Inspectorates, etc., is so small that an extra 10 per cent. or so will not in any way retard the spread of Education. The same applies also to most other direction in which the use of paper is an ingredient.

The conclusion of the Indian Industries Commission was that even if the comparatively small number of people interested in the various uses of paper in the country, should have to pay a little more, yet this would be a much lesser evil than the danger to the country, and the loss to Revenue and the Railways, entailed by letting down the industry to its destruction. The correctness of this contention was proved over and over again during the War and the economic consideration still remains in full force.

No. 6. With regard to the 90 per cent. of the people of India whom he refers to, if this is a correct estimate of those not consuming paper, it is not so much because they cannot afford it, but because they are entirely illiterate, or for other similar causes.

In any case it is obvious that the average consumption per head should be looked at proportionately, in different countries, to the average income per head.

It is the hope of the Indian mills that this may be remedied as soon as possible, and on this one point we think that probably Messrs. Dickinson and ourselves can be in accord.

No. 7. Here again we cannot agree to the statement made. We ourselves have supplied continuously for many years the full requirements of several of the largest newspapers, who prefer to use our paper even at a slightly increased price, and apparently are still very flourishing.

We do not deny, however, that some of the big newspapers prefer to use foreign mechanical pulp papers, but we would suggest they are perfectly free to do so, or even to continue to get their paper at the old rate provided they can give a satisfactory undertaking under license that such paper as they import shall be for their own consumption only.

No. 8. The Indian mills can make a very wide range of anything except mechanical pulp papers, but naturally try to confine themselves to comparatively as small a number of grades as possible. Also as there are to-day some 60,000 tons of imported paper more than the mills can make, naturally a great deal of it comes in of all grades.

We cannot at all say where the writer of the rest of this para. obtained his information. It is certainly untrue.

The Indian Government, the Madras Government, the Bombay Government, the Bihar and Orissa Government, the United Provinces Government, the Burma Government, and many Native States are all using Indian paper for very nearly the whole of their requirements. The papers supplied cover very nearly all the Government's range of requirements, and the English mills in commenting in the *World's Paper Trade Review* on this particular tender admitted only a few months ago that the Indian mills was equal in quality to their own.

Nos. 10 and 11. Here again it seems that the actual increase in the cost of paper would be so infinitesimal as compared with the cost to the industries mentioned of the other necessities in their trade, as not to constitute any menace to their prosperity, or hardly to make any appreciable difference.

No. 12. Would seem to wish to pre-judge the issue for the Tariff Board.

No. 13. Here again the writer has obviously been either grossly misinformed or is deliberately not stating what is the case.

As to improving the quality, I think the comments above under 8 provide independent evidence as to what the mills are doing.

As regards the libellous statement contained in the 2nd paragraph our reply to Questions Nos. 125 and 126 of your questionnaire is sufficient reply.

No. 14. The answer to this statement, which is also as incorrect as the rest, is that for the past two years our prices have been held up at anything from half an anna to nine pies per pound over imported papers, because of the disinclination of the mills not to sell below working cost. As cost has come down, some of the mills prices have come down to some extent, but as regards job lots, which of course every mill all over the World cannot help producing to some extent, the percentage of these as regards at any rate the Titaghur Mills is small and certainly never sufficient at any rate to affect the market in the manner suggested. The chief offenders in this respect are Dickinsons themselves who buy cheap lots all over the Continent and dump them here.

No. 16. This again is a misrepresentation of the actual facts. It is not that we are asking for protection from ordinary fair competition but from the selling of imported papers at prices below those at which they can be produced at the country of origin.

Nos. 17 and 18. Does your correspondent suggest that the closing down of the 6 British concerns which he mentions was caused by the same "Succession of Misfortunes" as he refers to under 17?

On the other hand it would seem that the fact that the Indian mills are still going, and have up to now managed to survive where many other mills have had to close, is an evidence that at least much of the administration criticised by your writer would seem to have been in the right direction.

The raising of money at the moment to support an extension of the industry would we agree be a matter of difficulty, but not from the causes suggested. We are certain that if an increase in the protective duty were to enable existing mills to show a steady dividend in the earning basis of the industry that fresh capital would be forthcoming before very long for expansion of the Industry.

Statement III.—Letter from the Titaghur Paper Mills Company, Limited, dated 19th July 1924.

In submitting our previous evidence, we have been compelled by the form of the questionnaire to answer the questions put by you, which form of evidence is not from our point of view the most convenient for basing a claim to protection. We will therefore endeavour to lay before you the exact grounds on which we now base our claim.

The Tariff Commission lay down three stipulations for industries claiming protection.

As regards the first of these, we think that we have given sufficient evidence in reply to the questionnaire to prove that the paper industry has natural advantages and has claims to be allowed to re-establish itself as strong at least as those put forward by the steel industry.

As regards the second stipulation, we wish definitely to record here that without protection the present company can hardly hope to survive, at any rate in its present form, unless some startling and totally unexpected reversal of present tendencies takes place. The existence of the Company depends upon the success of our claim to protection over the present most difficult period. We believe on the other hand that with protection we can both pull round ourselves and at the same time see other companies, particularly for the manufacture of pulp, come into being.

Thirdly, our production costs have already come down so heavily and are still expected to be so further reduced that they will be quite good compared to those of foreign mills, and we believe that if India were not treated as a dumping ground, we could compete on equal terms with our competitors.

We base our claim to protection and support the contention that we could compete eventually against all reasonable competition on the sub-joined figures.

Fair Return on Capital.—We think you will agree that the figure of our Block account is by no means inflated and that mills to turn out an equal quantity of paper could not be erected at anything like the present book figure of our mills.

During the last two years the mills have incurred very heavy losses, which they are now financing in addition to the capital normally employed in the business.

We consider we should be perfectly justified in asking for a fair return of interest on the full capital employed in the business, *viz.*, Rs. 1,53,28,000, *vide* the last published report for the half-year ended 30th September 1923.

In case, however, we may be accused of asking the public to pay for the sake of providing the shareholders with handsome profits or an early resumption of dividends, we submit our claim on the basis of a fair capitalisation of Rs. 130 lakhs, being in round figures the capital employed less the loss shown in the balance sheet.

A fair overall rate of interest in view of conditions in India to-day would be 8 per cent. Although a greater yield is naturally expected on Ordinary Shares, Debenture, Loan and Preference capital should require a lesser figure. Owing to circumstances the Company were compelled to raise Debentures at 8 per cent, and the recent prevalence of high Bank rates has also hit the company hard, especially in view of the heavy finance required to carry high priced stocks and raw materials.

At 8 per cent the return on a capitalisation of Rs. 130 lakhs would be Rs. 10,40,000 per annum.

Putting this another way and assuming a recapitalisation on the basis of—

	Rs.
Debentures	30 lakhs at 7 per cent.
Preference shares	30 lakhs at 8 per cent.
Ordinary shares	50 lakhs at 10 per cent.
Miscellaneous Finance	20 lakhs at 6 per cent.

the total interest requirements would be Rs. 10,70,000.

Allowing a reasonable reduction for ordinary trade liabilities, the figure of 8 per cent. per annum is we submit a fair return to expect on the company.

Depreciation.—The depreciation allowed by the Income-tax authorities is Rs. 3,01,000 per annum, which we consider reasonable in view of the written down value of our Block and the modern nature of much of the new plant installed in the reconstruction and which we are taking for purposes of argument.

The attached figures of costs and selling prices* indicated very clearly the nature of our troubles. Summarised they may be shown as follows:—

—	Year 1923-24. †	April 1924. †	May 1924. †	June 1924. †	Savings anti- cipated on June 1924. ‡
ork cost	3-860	3-483	3-372	3-267	2-769
Total cost	4-102	3-647	3-531	3-432	2-916
Fair return on Capital	·494	·463	·448	·463	·413
Depreciation	·143	·134	·129	·134	·119
TOTAL COST	4-739	4-244	4-108	4-029	3-448
AVERAGE SELLING PRICE.	4-028	3-944	3-833	3-666	

It will be seen therefore that although big reductions in cost have been effected, prices have been falling also and we have not been able to catch up. Had we been able to attain the prices reached during 1923-24, we should in May and June have been obtaining a fair return.

* Statement XI, Appendix I.

† See enclosure I for details.

‡ See enclosure II for details.

The fall in prices has robbed us of this and the protection we ask for is the margin between the two figures, viz., 10 per cent. on an average sale price of As. 3.8 or As. 3.666. This amounts to 4.4 pies only per lb. of paper and would bring the selling price to As. 4.

If an additional 10 per cent. duty is imposed we do not look to get this figure of As. 4 per lb. of paper but we do look to stabilise sales round about the present prices, thereby enabling us to fill our works with orders at present prices.

We realise that it is incumbent upon us to reduce costs further and we can see our way next year on full working to reduce our costs to a figure which, if prices are stabilised on the present basis, will enable us to survive.

With regard to the third condition of the Tariff Commission that the industry should be able eventually to stand on its own feet, we would point out that the industry stood for 30 years before the war though with extreme difficulty at times and with the awakening of India to industrial conditions and the special natural necessity of a paper industry to any advancing nation we see no reason on broad lines why under normal conditions the industry should not again exist without protection.

Turning again to our figures we have every reason to believe that within two years we shall be able to reduce costs, including a fair return on capital, to the last figure shown, viz., As. 3.44 per lb., which is some 3 pies below our present selling rate and about the level of present imported prices.

As costs in Europe of grass papers are not less than three pence half penny or say As. 3½, and as all authorities are agreed that prices are not likely to go any lower, seeing the unprecedented nature of the slump of paper mills in Europe, and the present unremunerative nature of business, we believe that the present level is likely to be maintained.

The factor of a hardening exchange may reduce sale prices a little, a further reason for asking protection. They will also of course cheapen our imported materials, but these however form a small portion of our expenses.

Any reductions in the world's paper markets such as cheaper pulp, chemicals, machine furnishings and so forth will affect us as much as any other mills wherever placed and we have sufficient confidence to believe that given temporary protection we can as before meet world competition unless at any time a slump in trade causes a repetition of the present dumping tactics.

We base our claim on the above figures and are prepared to support them with any further evidence required.

ENCLOSURE I.

Statement showing total Expenditure incurred in the production of Paper, during certain period.

	OUTPUT 15,036 TONS.				OUTPUT 1,837 TONS.				OUTPUT 1,381 TONS.				OUTPUT 1,336 TONS.			
	1923-24.		Cost per ton.		Cost per lb.		April 1924.		Cost per ton.		Cost per lb.		May 1924.		Cost per ton.	
	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.	Rs.	As.
1. Primary Raw Materials	17,88,321		118-935		1,60,228		126-573		1,83,905		132-516		1,55,343		116-274	
2. Purchased Pulp	15,91,766		106-528		1,34,680		100-732		1,08,190		78-342		1,29,004		96-569	
3. Auxiliary Raw Materials	14,05,441		92-812		1,03,987		80-842		1,15,231		83-440		90,198		67-512	
4. Mill Labour	11,54,859		76-805		90,400		67-614		85,575		61-966		89,409		66-922	
5. Power and Fuel	11,45,882		76-208		69,679		52-109		76,453		51-917		68,431		51-227	
6. Ordinary Current repair	7,90,249		52-557		55,785		41-724		61,835		44-776		51,858		38-815	
7. General service supervision	1,07,027		7-118		3,366		2-518		3,366		2-437		3,366		2-518	
8. Miscellaneous charges	1,43,123		9-518		20,752		15-523		24,301		17-597		23,610		17-671	
TOTAL WORKS COST	81,26,668		540-481		6,51,968		487-635		6,51,958		472-091		6,11,219		457-499	
9. Head Office Charges	5,08,583		33-824		30,753		23-001		30,753		22-269		30,753		23-019	
10. Selling Charges																
TOTAL COST	86,35,251		547-305		6,82,721		510-636		6,82,711		494-360		6,41,972		480-518	
Add Interest on Rs. 1,30,00,000 at 8 per cent.	10,40,000		60-166		86,667		61-822		86,667		62-754		86,667		64-871	
Add Allowance for Depreciation.	3,00,000		19-953		25,000		18-700		25,000		18-013		25,000		18-712	
TOTAL	99,75,251		668-424		7,94,388		594-158		7,94,378		575-217		7,53,639		594-101	
			4-730				4-244				4-308				4-029	

ENCLOSURE II.
Revised cost—Based on June Figures.

	Output 1,336 Tons.	Cost per ton.	Output 1,500 Tons.	Cost per ton.	Output 1,500 Tons.	Cost per ton.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Primary Raw Materials	1,19,947	89-781	1,49,817	99-878	1,34,578	89-719
2. Purchased Pulp	1,29,004	76-560	1,29,004	86-002	1,29,004	86-002
3. Auxiliary Raw Materials	83,198	62-274	93,411	62-274	93,411	62-274
4. Mill Labour and Supervision	86,409	64-477	86,409	57-006	86,409	57-006
5. Power and Fuel	59,431	44-485	59,431	39-621	59,431	39-621
6. Ordinary Current Repairs	51,858	38-815	51,858	34-572	51,858	34-572
7. General Services and Supervision	3,366	2-518	3,366	2-244	3,366	2-244
8. Miscellaneous Charges	23,610	17-671	23,610	15-740	23,610	15-740
TOTAL	5,56,823	416-781	5,96,906	397-937	5,81,667	387-778
Head Office and Selling Charges	30,753	23-019	30,753	20-502	30,753	20-502
TOTAL	5,87,576	439-800	6,27,659	418-439	6,12,420	408-280
Interest on Rs. 1,30,00,000 at 8 per cent.	86,667	64-871	86,667	57-778	86,667	57-778
Allowance for Depreciation	25,000	18-712	25,000	16-667	25,000	16-667
TOTAL	6,99,243	523-383	7,39,326	492-884	7,24,087	482-725
COST PER LB. ANNAS	..	3-71	..	3-5	..	3-44

Statement IV.—Note on the export of bamboo pulp handed to the Tariff Board by Sir W. Carey on behalf of the Titaghur Paper Mills Company, Limited.

Until we have had an opportunity of going into the whole question thoroughly from the point of view of a large export, it is difficult to offer a definite opinion as to the possibility of bamboo pulp for export on such a scale; but we do think that with the inexhaustible supplies of bamboos in close proximity to suitable sites for the erection of mills and with plentiful supplies of labour,* which for bamboo (see footnote) should be proportionately cheaper than for some of the other fibres, there is every reason to expect that as the industry develops pulp will be produced at a price such as will enable it to compete favourably with Continental and Canadian pulp, particularly in the markets of Japan, China and Australasia where it would have an advantage per ton in sea freight.

For the purpose of our present estimates, we have only gone into the question so far as our own mills' requirements are concerned, but even such figures with the protection asked for compare favourably with the price of imported pulp, especially when the anticipated lower working costs referred to above are taken into account. On the establishment of an independent industry, mills would naturally be run on a much larger scale and costs would be reduced in consequence.

As regards exports of Canadian pulp to Japan and China, there is already a steadily growing shortage of pulp in the United States of America which would certainly very quickly minimise competition in the East.

Statement V.—Statement showing capital expenditure of each of the Mills under the Titaghur Paper Mills Company, Limited, handed to the Tariff Board by Sir W. Carey on behalf of the Company.

	No. 1 Mill.	No. 2 Mill.	Total.
	Rs.	Rs.	Rs.
1917 . . .	1,007	29,795	30,802
1918-19 . . .	1,00,003	32,366	1,32,369
1919-20 . . .	5,20,090	1,39,425	6,59,515
1920-21 . . .	4,18,068	1,47,409	5,65,477
1921-22 . . .	2,53,688	6,14,904	8,68,592
1922-23 . . .	3,72,320	1,93,782	5,66,102
	<u>16,65,176</u>	<u>11,57,681</u>	<u>28,22,857</u>

1923-24. To above is to be added cost of new Steam Boiler Plant at No. 1 Mill, Rs. 5 lakhs.

Statement VI.—Letter, dated 30th August 1924, submitted by the India Paper Pulp Company, Limited, and endorsed by the Titaghur Paper Mills Company, Limited.

See Statement VII of the India Paper Pulp Company, Limited.

* Labour per ton of bamboo pulp should be very much cheaper than for grass, as little or no picking and sorting would be necessary and the larger bulk and greater density would make its handling a simpler matter. In these days bamboos are fed into the crusher whole, and after that very little labour is involved in the actual manufacture.

Statement VII.—Letter, dated 18th August 1924, from the Titaghur Paper Mills Company, Limited, forwarding supplementary statements.

We have the honour to enclose herewith the supplementary statements asked for by the Tariff Board in connection with the market section of the enquiry.

Enclosure No. 1.

Supplementary Statement No. 1, Market.

Abstract of quotations, invoices, etc., issued by foreign firms and importers for paper to be delivered at Indian ports. In those instances marked * the original document is in our hands, and for the others we have actual copies which we vouch for.

1. * Acknowledgment, dated 12th April 1924, from Fredriksstad Import and Export Company, Norway, accepting indents from Messrs. P. C. Kundu and Sons, Calcutta, for Cream Laid at £29-10-0 per ton c.i.f. Calcutta.

This at 1s. 5d. exchange and duty added=3 annas 8 pies per lb.

2. * An offer, dated 6th February 1924, from the same shippers to the same firm in Calcutta to supply a Superior White Writing Paper at £32 per ton c.i.f.c.i. Calcutta, including 2½ per cent. commission and 60 days' credit. Paper of German origin.

This at 1s. 5d. exchange and duty added (Printing rate)=3 annas 10 pies per lb.

3. * Letter, dated 16th May 1924, from Messrs. Ram Lall Kapoor & Sons, Lahore, to our address confirming purchase of 100 bales German White Printing at cost of 4 annas per lb. delivered at Lahore which they are reselling at 5 annas per lb. or 25 per cent. profit (this is done under cover of Indian mills' prices).

4. * Invoice, dated 1st March 1924, of Messrs. John Dickinson & Co., Ltd., for goods sold to Messrs. Ghose Brothers, Calcutta, showing Cream Laid of German origin at £32-10-0 per ton c.i.f. Calcutta with 60 days' credit.

This at 1s. 5d. exchange plus duty=3 annas 10 pies per lb.

5. * Contract, dated 10th January 1924, booked by Alex. Cowan & Sons, London, with Messrs. P. Ranga Chariar & Co., Madras, to supply Cream Laid at 2½d. per lb. c.i.f.c.i. Madras.

This at 1s. 5d. exchange plus duty=3 annas 3 pies per lb.

6. * Invoice, dated 11th February 1924, from Messrs. A. Bonner & Co., Calcutta, Importers to Messrs. Mukherjee, Dutt & Co., Calcutta, for Bank Paper of German origin at £31 per ton c.i.f.c.i. Calcutta.

This at 1s. 5d. exchange and duty added=4 annas per lb.

7. * Invoice, dated 11th February 1924, from same to same for Bank Paper of German origin at £30 per ton c.i.f.c.i. Calcutta.

This at 1s. 5d. exchange and duty added=4 annas per lb.

8. * Invoice, dated 3rd January 1924, from Messrs. G. Lochen & Co., Calcutta, Importers to Messrs. Ghose Brothers, Calcutta, offering Ivory Finish Printing at £31 per ton c.i.f.c.i. Calcutta, and 15 days' credit.

This at 1s. 5d. exchange and duty added=3 annas 10 pies per lb.

9. * Invoice, dated 15th January 1924, from Messrs. Hebruder Altenbach, Hambur, to Messrs. Dutt & Co., Calcutta, for Pink Blotting at £29-10-0 per ton less 2½ per cent. discount, c.i.f.c.i. Calcutta.

This at 1s. 5d. exchange and duty added (Coloured News)=3 annas 4 pies per lb.

10. * Invoice, dated 14th April 1924, from Messrs. John Dickinson & Co., Ltd., Bombay, to Messrs. Mahomedally Habathbhoy & Co., Bombay, for English White Printing at 3½d. c.i.f. Bombay, and 60 days' credit.

This at 1s. 5d. exchange and duty added=4 annas per lb.

11. Offer, dated 12th May 1924, from Messrs. Storm & Bull Ltd., Kristiana, to Messrs. F. C. Waller & Co., Delhi, to ship M. G. Manilla at £17-10 per ton c.i.f. Bombay.

This at 1s. 5d. exchange and duty added=2 annas 3 pies per lb.

12. Offer, dated 29th April 1924, from same to same to ship White Printing at £30 per ton c.i.f.c.i. Bombay, and 60 days' credit.

This at 1s. 5d. exchange and duty added=3 annas 8 pies per lb.

13. Offer, dated 12th May 1924, from same to same to ship M. G. Kraft at £17-10 per ton c.i.f. Bombay.

This at 1s. 5d. exchange and duty added=2 annas 3 pies per lb.

14. Offer, dated 5th December 1923, from same to same to ship Pure Kraft at £26 per ton c.i.f. Bombay with 30 days' credit.

This at 1s. 5d. exchange and duty added=3 annas 1 pie per lb.

15. Invoice, dated 1st April 1924, from Messrs. John Dickinson & Co., Ltd., Bombay, to Messrs. Abdullabhai Fidaally & Co., Bombay, for Kraft of German origin at £25-10 per ton c.i.f. Bombay with 60 days' credit.

This at 1s. 5d. exchange and duty added=3 annas per lb.

16. Invoice, dated 23rd January 1924, from Messrs. John Dickinson & Co., Ltd., Bombay, to Messrs. Mahomedbhai Umerbhai Sarehwalla, Bombay, for English White Printing at 3½d. per lb. c.i.f. Bombay with 30 days' credit.

This at 1s. 5d. exchange and duty added=4 annas per lb.

17. Invoice, dated 10th June 1924, from Messrs. John Dickinson & Co., Ltd., Bombay, to Messrs. Abdullally Rasoolbhoj & Co., Bombay, for White Account Book Paper of German origin at £29-10 per ton c.i.f. Bombay with 30 days' credit.

This at 1s. 5d. exchange and duty added (White Printing rate)=3 annas 7 pies per lb.

18. Invoice, dated 21st March 1924, from Messrs. Lendrum Ltd., London, to Messrs. Abdullabhai Fidaali & Co., Bombay, for German Kraft Mechanical Cream Laid at 3½d. c.i.f. Bombay.

This at 1s. 5d. exchange and duty added=3 annas 11 pies per lb.

19. Invoice dated 5th April 1924, from Messrs. Curt Beyer & Co., Frieberg, to Messrs. Abdullabhai Fidaali & Co., Bombay, for German Kraft at £23-10 per ton c.i.f. Bombay with 60 days' credit.

This at 1s. 5d. exchange and duty added=2 annas 11 pies per lb.

20. * Invoice, dated 12th February 1924, from Messrs. Chas. Morgan & Co., Ltd., London, to Messrs. C. Coomaraswamy Naidu & Sons, Madras, for various colours of Sulphite Cover Paper at 3½d. per lb. c.i.f. Madras with 60 days' credit.

This at 1s. 5d. exchange and duty added=3 annas 5 pies per lb.

21. * Invoice, dated 2nd June 1924, from Messrs. Lendrum Ltd., London, to The Indian Press Ltd., Allahabad; for White Super Calendered Printing, British, at £31-10 per ton c.i.f. Calcutta.

This at 1s. 5d. exchange and duty added=3 annas 10 pies per lb.

22. * Invoice, dated 12th February 1924, from Messrs. Lendrum Ltd., London, to Messrs. V. Perumal Chetty & Sons, Madras, for 76 bales Mechanical Wood Badami at £21 per ton c.i.f. Madras. Country of origin, Germany.

This at 1s. 5d. exchange and duty added (Coloured News)=2 annas 5 pies per lb.

We have not given instances of News Print papers, but these are coming in at present at between £17-10 and £20 per ton c.i.f. Indian port according to the size of the order. The ex-godown price of Importing Houses such as Messrs. John Dickinson & Co., Ltd., is from 2 annas 7 pies to 3 annas per lb.

In support of our contention that most of these prices are below cost of manufacture, we quote the following indications of prevailing market prices from recent issues of the "World's Paper Trade Review":—

- (1) Issue dated 8th February 1924. "We are told on the authority of a mill that keeps tract of its cost that it is impossible to produce wood papers, i.e., M. F. and S. C. Printings, Writings, etc. (free from mechanical) at less than 3½d. per lb."
- (2) ,, 16th May 1924. "Esparto paper at 3½d. per lb. for making is a very near thing if costs are anything to work on, and yet there are undoubtedly some mills taking orders at the price. It is almost an unknown price among consumers, however, the bulk of whom are quite accustomed to paying 3½d. per lb. for second quality esparto and 4d. per lb. for first grade. In practice, it is impossible to sell below these figures with any hope of decent profit."
- (3) ,, 25th April 1924. "Under existing circumstances it is difficult to see how many mill can produce Blottings containing a big percentage of rag to sell at 6d. per lb. That is the price still quoted to the trade by some of the best makers of second-grade English Blotting Paper."
- (4) ,, 2nd May 1924. "Pure esparto writings are now quoted 4½d. per lb. for good orders, printings 3½d. First grade wood-free printings can be secured at 3½d., writings 3½d., second grade printings 3½d. to 3¾d., writings 3¾d. to 3½d. Cheaper grades of esparto papers are on the market at the same price as first grade wood-free papers."

Enclosure No. II.

Supplementary Statement No. 2, Market.

Statement on Importation of Brown Papers, total consumption of Browns in India, and the qualities manufactured by local mills.

Total Indian consumption is estimated at 12,000 tons of which the local mills supply 3,000 tons. This is Brown Paper for wrapping purposes only (i.e., Krafts and Brown Cartridge) and does not include Badami.

Browns are very suitable for Indian mills as they can be manufactured from any fibres including waste papers and straw, and are very useful for using up the waste fibre incurred in the manufacture of superior papers. There is a mill in India, the Maniachi Mill, which manufactures nothing else but Browns.

Imported Browns do not, as a rule, compete with local mills Badamies. Competition for the latter is invariably offered in mechanical papers—a colourable imitation of the Indian kind

Enclosure No. III.

*Supplementary Statement No. 3, Market.**Statement as to the percentage of Esparto Papers coming on to the Indian Market.*

It is impossible to give any statistics for this as invoices do not specify particularly when a paper is made partly or wholly from esparto, but we do know from our own experience in the bazaars and from tests of average samples we have taken from time to time that the quantity of esparto paper on the Indian market at present, both as regards Printings and Cream Laid, is very small. This is principally by reason of the cheap Continental Wood pulp papers having ousted them on account of price as esparto papers are invariably British manufacture, and in consequence price is not so favourable. From statistics of imports, it would seem that British goods have a very large share of the total imports into India, but this is not really the case as the bulk of the goods shown as British are really only re-exports of Continental paper. John Dickinsons, for instance, do comparatively little business in this country for their own mills' goods. Their principal business is in Continental paper.

Enclosure No. IV.

*Supplementary Statement No. 4, Market.**Question 74.*

The Board asked that those qualities in which we found competition keenest should be more clearly defined.

- (a) *Fine Writings*.—By these we mean Cream Laid, Cream Wove and White Account Book Papers. Competition is offered in qualities of all these made principally from Sulphite. Sometimes, foreign foolscaps are cheapened by the addition of Mechanical Wood which reduces the price considerably.
- (b) *Printings*.—We mean the pure cellulose White Paper styled throughout the trade as a printing and distinguished from a "News" or "Unglazed" paper. Competition is offered chiefly by Continental Sulphite Printings, but during the last two years good mechanical lines are being substituted to a considerable extent on account of the difference in price.
- (c) *Wrappings*.—We mean the common Brown Paper, either Kraft or Cartridge, used for wrapping purposes only. Strong competition is offered by Swedish and Norwegian Kraft.
- (d) *Badami*.—We had before included this under Wrappings as it is sometimes used as such when a superior paper is required. It is a biscuit coloured paper, originally a product of Indian mills only, and is used for a cheap Writing or Printing by Government and the Bazaars. During the last year or so competition has been offered from Sweden and Germany with a so-called Badami made from Mechanical Wood.

We cannot offer import statistics for comparison, owing to the way imports are mixed up under different heads by the Customs Department.

Enclosure No. V.

*Supplementary Statement No. 5, Market.**Question 76.*

In our answer we gave the average nett prices obtained by us for White Printings and Cream Laid from the market without Government. It has

now been asked that we should supply the average prices over all, i.e., including Government for each of the last four years.

We cannot give such a figure for these two qualities separately as records do not show details to this extent, but we give the nett average price for the whole of our sold production in all qualities during each of the four years as follows:—

										Per lb.
										As. p.
1920-21	.	.	.	.	.	.	.	.	.	5 9
1921-22	.	.	.	.	.	.	.	.	.	6 0
1922-23	.	.	.	.	.	.	.	.	.	4 5
1923-24	.	.	.	.	.	.	.	.	.	3 11

Enclosure No. VI.

*Supplementary Statement No. 6, Market.
Specialising.*

Reply to the enquiry as to how we propose to eliminate the small order in the event of the expansion of the industry.

When we talk of specialising, we do not mean that any particular quality should necessarily be discontinued in the market. Demand in reasonable volume for most of the qualities now asked for exists, but the present difficulty is that it is distributed in each quality over all the mills. What we have in view is that mills should specialise by undertaking individually to meet the full demand, more or less, of certain qualities leaving other qualities for other mills to specialise in. In this way each mill would have a more standardised production and lower costs would be the result.

As new mills came into existence the tendency would be for them to specialise, especially as at the start they would probably be two-machine mills.



Enclosure No. VII.

I. Grass costs each area, (per ton):—*

—	Royalty.	Cutting and Belting.	Carting.	Miscellaneous.	Freight.	Total.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
(a) <i>Western Circle.</i>						
Actual— (52,500 mds.)	47 7 0	14 8 11	10 13 1	25 15 7	13 10 3	112 5 10
Estimated— (4,00,000 mds.)	10 10 0	14 8 11	10 13 1	3 6 6	13 10 3	55 0 11
(b) <i>Nepal.</i>						
Actual— (2,60,500 mds.)	9 1 6	13 9 9	10 3 4	10 3 4	13 14 9	57 0 8
Estimated— (4,00,000 mds.)	5 13 3	13 9 9	10 3 4	10 3 4	13 14 9	53 13 4

(c) *Ramjeedas (contract delivered Mills).*

		Rs. A. P.
At Rs. 1.4-6 per maund D/D (1905-6 to 1919-20)	.	34 14 0
„ 1.7-6 do.	.	39 15 8
„ 1.12-3 do. (1923-24)	.	48 1 0
„ 2.1-0 do. (1920 to 1923)	.	56 2 3

Enclosure No. VIII.

Grass pulp mill.

	Cost per ton of pulp.
	Rs. A. P.
Grass yield into pulp 45 per cent. with allowance for rejections—2½ tons at /15/- per md.	63 4 0
Coal—2 tons per ton of pulp	36 0 0
Chemicals	52 0 0
Labour (includes supervision)	12 0 0
Repairs and Maintenance of Plant	5 0 0
Sundry expenses (including taxation and H. O. charges)	10 0 0
	178 4 0
Depreciation	14 0 0
Interest on Capital	22 8 0
	217 12 0
Railway freight to Calcutta	10 0 0
	227 12 0

*This statement has been revised—vide Statement XIII.

	Rs.
Present Bamboo Plant	16,00,000
Extra	5,00,000
Godowns and Buildings	2,00,000
Bungalows	80,000
50 bighas of land at Rs. 150 each	75,000
Freight and carriage for Plant	1,00,000
	<hr/>
	25,55,000

Say 23 lacs and this will allow for sufficient working capital.

Depreciations—

21 lacs for machinery and plant at $7\frac{1}{2}$ per cent	1,57,500
Rs. 2,80,000 buildings, etc., at 5 per cent	14,000
	<hr/>
	1,71,500

Total depreciation per annum for 10,000 tons production of pulp 17.15 perton

Interest—

Rs. 28,00,000 at 8 per cent per return — Rs. 2,24,000 per annum for 10,000 tons or equal to Rs. 22.4 per ton.

The above is based on conservative figures and so far as possible we have allowed a margin. We are of the opinion that in actual practice we ought to be able to reduce costs, also, if it could be possible to increase production to 12,000 tons instead of 10,000 tons cost would be reduced by a further 10-11 rupees per ton which would mean that we could then deliver pulp in Calcutta at the rate of £14-10 f.o.r. as against imported pulp at £15-15 f.o.r. On the other hand costs as they stand with an output 10,000 tons are equal to £15-4 f.o.r. Calcutta, on the assumption that woodpulp will rise to £17 per ton which means £17-17 at mills. The difference in favour of grass pulp is equal to Rs. 27 per ton. If a tariff of 20 per cent. is put on woodpulp, the difference will be not less than Rs. 80 per ton. This, of course, is calculated at exchange at $1/4d.$ but even if the exchange rose to $1/6d.$ grass pulp would still be on a level with wood pulp at £17 per ton, with a duty of 20 per cent. the difference would be in favour of grass costs to the extent of Rs. 50 per ton.

Enclosure No. IX.

Cost comparison.

	Sabai Grass at 35 per cent yield.	Esparto at 45 per cent yield.
Materials	141-432	220-500
Auxiliary	158-000	139-000
	299-432	359-000
On cost and conversion charges	140-000	140-000
	439-432	499-000

Sabai grass has been charged to costs at Rs. 2 per maund and esparto has been taken at £6-10 per ton which is equal to Rs. 3-9-9 per maund. Loading at 10 per cent. has been allowed for in each case, sizing and other chemical costs have been taken from our actual figure. I have no doubt that Home costs for auxiliary raw materials may show a saving over ours, also conversion charges, but I do not consider that actual costs of paper manufactured from esparto will fall far short of the above figure which is equal to annas $3-6\frac{3}{4}$ per lb.

Enclosure No. X.

Total cost of wages paid at the grass fields.

(Season 1923-24 actual working.)

	Rs.	
(a) Western Circle	75-921	} (Approximate at annas --14-- per maund on 2,10,000 maunds).
(b) Nepal	195-375	
(c) Ramjeedas	183-750	
	<u>465-046</u>	

Enclosure No. XI.

Total depreciation up to 30th September 1923 written off under the following heads.

	Rs.	A.	P.
(c) Land and buildings	17,12,528	2	5
(d) Plant and machinery	39,11,055	8	5
(e) Miscellaneous assets	1,73,637	5	2
	<u>57,97,221</u>	<u>0</u>	<u>0</u>

Enclosure No. XII.

Purchased and manufactured pulps.

1st April 1923 to 31st March 1924.

Total quantity of manufactured pulp	8,671-159 tons.
After allowing for bleaching cost and 25 per cent. of total overhead charges the cost per ton works out at	Rs. 325-644 per ton
As against E. B. sulphite (imported)	Rs. 301-611 per ton
With the savings, etc., in chemicals and cheaper mat- erials, grass pulp cost will be reduced by a further	Rs. - 37-000
Which reduces manufactured bleaching pulp to	Rs. 288-644
As against imported pulp	Rs. 301-611
With prices of imported pulp likely to increase this will show an extra balance in favour of manufactured pulp.	

Enclosure No. XIII.

Railway freight for grass per maund:—

	1913-14	1920	1922	Early 1924	New rate late 1924
	As. P.	As. P.	As. P.	As. P.	As. P.
(a) Western Circle	Nil.	8 1	10 11	9 11	8 1
(b) Nepal	5 10	10 1	11 0	10 7	8 5
(c) Ramjeedass (B. N. R. excluded).	2 4	3 7	3 4	3 8	2 8

Exclusive of the sum written off the bamboo plant out of reserves.

Enclosure No. XIV.

The undernoted is the approximate cost of one ton of Finished Paper from Grass and Woodpulp Furnish.

	Grasspulp Furnish.			Woodpulp Furnish.		
	Per cent.	Cwts.	Rupees.	Per cent.	Cwts.	Rupees.
Pulp	80	21-33	320-00	80	21-33	298-66
Clay	15	5-00	20-00	15	..	20-00
Bleach	(12½)	..	26-67	(12½)	..	26-67
Alum Rosin . . . . .	..	..	19-00	..	..	19-00
Wrappers . . . . .	..	..	10-50	..	..	10-50
	396-17					374-83
On cost and conversion . . . . .	..	..	140-00	..	..	140-00
			537-17			514-83
Head Office charges . . . . .	..	..	80-00	..	..	80-00
Total cost of one ton paper . . . . .	..	..	616-17	..	..	594-83

	Rs.
Grass Pulp cost of manufacture as per Form "2"	269-589
Add 25 per cent of total overhead charges	30-500
TOTAL MILL COST PER TON OF PULP	300-069

Enclosure No. XV.

Power and Light.

In reply to the query made by the Tariff Board as to how much the difference in costs of power and light would be in the event of grass pulp-making at the mills being discontinued.

The comparison is as follows:—

With pulp making.
Cost per ton of paper Rs. 15-901

Without pulp making.
Rs. 17-668

Enclosure No. XVI.

Statement showing costs and comparison of grass pulp manufactured at a pulp mill at Saharanpur and that manufactured at mills.

	Grasspulp mill cost per ton.	Grasspulp manufac- tured at Mill. Cost per ton.
	Rs.	Rs.
Materials—2½ tons Grass	63	101
Chemicals	52	62
Cost of Materials at	115	163
Labour, picking, boiling	12	19
Repairs and maintenance	5	6
Power and steam	36	13
	168	201
Oncost and Head Office charges	10	31
	178	232
Freight to Calcutta	10	34
	188	266

Enclosure No. XVII.

Purchased and manufactured pulps.

1st April 1923/31st March 1924.

Total quantity of manufactured pulp	8,671·159 tons.
After allowing for bleaching cost and 25 per cent. of total overhead charges the cost per ton works out at	Rs. 325·644 per ton.
As against E. B. sulphite (imported)	Rs. 310·611 „
Our cost for manufactured pulp is charged with grass at Rs. 3 per cwt. in view of the reduction in next seasons. Grass rates to the extent of 6 annas per cwt. the reduction in cost of pulp will be equal to approximately	Rs. 17,000
To this has to be added the reduction in costs effected since March 1924 which is equal to at least	Rs. 20,000
	Rs. 37,000
Which reduces manufactured bleached pulp to	Rs. 288·644
As against exported pulp	Rs. 301·611

With prices of imported pulp likely to increase this will show an extra balance in favour of manufactured pulp.

Enclosure No. XVIII.

Copy of telegram from F. W. Heilgers & Co., London, to F. W. Heilgers & Co., Calcutta, dated 14th August 1924.

Paper prices position unchanged. Referring to your telegram of 9th, to-day's prices cost, freight and insurance approximately: Calcutta £15-10-3 China £16-15, Japan £16-12-6, Australia £16-12-6, prices rising.



सत्यमेव जयते

Statement VIII.—Further supplementary information received from the Titaghur Paper Mills Company, Limited, with their letter, dated 15th October 1924.

Further to our letter of yesterday's date, we now hand you herewith the promised bamboo estimates, receipt of which kindly acknowledge.

Enclosure I.

THE TITAGHUR PAPER MILLS COMPANY, LIMITED.

Estimated cost of producing E. B. Bamboo Pulps, at various possible projected sites in a 10,000 ton per annum Mill.

Bamboo at Rs. 20 per ton.

Caustic at Rs. 240 per ton.

Caustic used 16 per cent., fractional system.

	Rs.	A.	P.
Chemicals and materials	130	10	8
Coal, best, Deshaghur, at Rs. 24 per ton, Rangoon 1½ tons per ton of pulp. (If using 2nd class coal, 2 tons of coal per ton of pulp at Cuttack or any given point nearer at Rs. 18 per ton)	36	0	0
Labour including supervision	12	0	0
Repairs and maintenance	5	0	0
Sundry expenses including taxation and freight of pulp to mill in India	10	0	0

Rs.

Description on 21 lakhs for machinery and plant at 7½ per cent. 1,57,500

Depreciation, buildings, etc., on Rs. 2,80,000 14,000

1,71,500 = 17 0 0

Say 28 lakhs in all including working capital at 8 per cent. = 22 0 0

232 10 8

Bamboo at Rs. 15 per ton.

Caustic at Rs. 240 per ton.

Caustic used 16 per cent., fractional system.

Chemicals and materials	119	0	0
Coal, best Deshaghur, at Rs. 24 per ton, Rangoon 1½ tons per ton of pulp. (If using 2nd class coal, 2 tons of coal per ton of pulp at Cuttack or any given point nearer at Rs. 18 per ton)	36	0	0
Labour including supervision	12	0	0
Repairs and maintenance	5	0	0
Sundry expenses including taxation and freight of pulp to mill in India	10	0	0

	Rs.	Rs. A. P.
Depreciation on 21 lakhs for machinery and plant at 7½ per cent.	1,57,500	
Depreciation, buildings, etc., on Rs. 2,80,000	14,000	
	<u>1,71,500</u>	= 17 0 0
Say 28 lakhs in all including working capital at 8 per cent. =		<u>22 0 0</u>
		<u>221 0 0</u>

Enclosure II.

THE TITAGHUR PAPER MILLS COMPANY, LIMITED.

Approximate estimates for cost f.o.b. of E. B. Pulp from a mill at other possible site.

Bamboo at Rs. 12 per ton.

Caustic at Rs. 240 per ton.

Caustic used 16 per cent., fractional system.

	Rs. A. P.
Chemicals and materials	112 0 0
Coal, best Deshaghur, at Rs. 24 per ton, Rangoon 1½ tons per ton of pulp. (If using 2nd class coal, 2 tons of coal per ton of pulp at Cuttack or any given point nearer at Rs. 18 per ton)	36 0 0
Labour including supervision	12 0 0
Repairs and maintenance	5 0 0
Sundry expenses including taxation and freight of pulp to mill in India	10 0 0
	Rs.
Depreciation on 21 lakhs for machinery and plant at 7½ per cent.	1,57,500
Depreciation, buildings, etc., on Rs. 2,80,000	14,000
	<u>1,71,500</u>
Say 28 lakhs in all including working capital at 8 per cent. =	<u>22 0 0</u>
	<u>214 0 0</u>

Bamboo at Rs. 12 per ton.

Caustic at Rs. 200 per ton (this would mean efficient recovery).

Chemicals and materials	96 12 0
Coal, best Deshaghur, at Rs. 24 per ton, Rangoon 1½ tons per ton of pulp. (If using 2nd class coal, 2 tons of coal per ton of pulp at Cuttack or any given point nearer at Rs. 18 per ton)	36 0 0
Labour including supervision	12 0 0
Repairs and maintenance	5 0 0
Sundry expenses including taxation and freight of pulp to mill in India	10 0 0

	Rs.	Rs. A. P.
Depreciation on 21 lakhs for machinery and plant at $7\frac{1}{2}$ per cent.	1,57,500	
Depreciation, buildings, etc., on Rs. 2,80,000	14,000	
	<u>1,71,500 =</u>	<u>17 0 0</u>
Say 28 lakhs in all including working capital at 8 per cent. =		<u>22 0 0</u>
		<u>198 12 4</u>



सत्यमेव जयते

Statement IX.—Letter from the Titaghur Paper Mills Company, Limited, Calcutta, dated 21st October 1924.

With reference to the joint letter of the Indian Paper Pulp Company Limited, the Bengal Paper Mill Company, Limited, and ourselves of the 30th August 1924 to you (*vide* page 341 of the printed evidence), we beg to bring to your notice an article which appeared in the "Pulp and Paper Magazine" (New York), dated the 28th August 1924, headed "What is Standard News Print"? A copy of the article is attached, and this will no doubt be of assistance to you in arriving at your decision as to what is to be considered as genuine newsprint in the event of this class of paper being exempted from an increased duty.

We might add that this limit of 30 per cent. chemical pulp as fixed by the United States Tariff is what we ourselves have always had in mind in making a distinction between newsprint and ordinary printings.

Pulp and Paper Magazine, 28th August 1924 (page 886). What is standard newsprint paper in the United States?

The United States Tariff Act, effective September 22nd, 1922, placed "Standard News Print Paper" on the free list, but gave no definition of the term. After a prolonged investigation, the Secretary of the Treasury, on August 28th, 1923 (T. D. 39778), defined Standard News Print Paper as:—

"Consisting of mechanically ground wood pulp and chemical wood pulp or sulphite containing not in excess of 30 per cent. of sulphite and varying in weight not more than 10 per cent. from 32 pounds to each 500 sheets of 24×36. This definition is applicable to newsprints paper without regard to the colour thereof."

Following this, there was a period of uncertainty as to the status of standard newsprint rolls, and on November 10, 1923 (T. D. 39, 860), the Secretary of the Treasury instructed the Collector of Customs in New York City in regard to roll width to the effect that:

"In the opinion of the Department the term 'standard news print paper' as used in paragraph 1672, has reference to paper of a kind, and width ordinarily used by representative newspapers in printing their regular editions, and as the record on file in the department shows that paper as narrow as 16 in. is used for this purpose, it is of the opinion that paper of the kind and quality described in T. D. 39778, 16 inches in width, or over, is entitled to admission free of duty as standard news print paper under paragraph No. 1672 of the Tariff Act."

The question of roll diameters then came up and on April 28, 1924, the Assistant Secretary of the Treasury wrote to the New York Collector at some length and gave him the following instructions—effective thirty days after date:

"The Department refers to your letter of January 24th last, in regard to the classification of paper described as side run rolls which consists of paper of the quality of standard news print paper but of rolls of nine inch diameter which are known as No. 2 white Manilla counter rolls, and which are used chiefly for wrapping paper."

With your letter you enclose a communication from the appraiser who states that the width of the paper in these nine inch diameter counter rolls ordinarily runs from six to thirty-six inches, and in exceptional cases, up to forty inches, and that these nine inch diameter rolls are not suitable for use on a press. The appraiser also states that the width of paper in the twenty-

nine inch diameter rolls or so called jumbo rolls, customarily used by newspapers, runs from sixteen to seventy-three inches, that the width of side run rolls is usually from six to fifteen inches, and of the same diameter as the jumbo rolls, and that these side run rolls are re-rolled into nine inch diameter rolls for use as wrapping paper.

"In submitting the report of the appraiser you express the opinion that side run rolls of paper of the character under consideration, which is chiefly used as wrapping paper, is properly dutiable as such at the rate of 30 per cent. *ad valorem* under paragraph 1309 of the Tariff Act.

"The Department concurs in the views expressed by you and it is also of the opinion that any paper of the quality of standard news print paper as defined in the Department's decision, T. D. 39778, but which because of its width is chiefly used as wrapping paper, is properly dutiable as such. You will be governed accordingly."

Under date of August 5, 1924, the Assistant Secretary of the Treasury wrote to the New York Collector of Customs as follows regarding the status of "railroad manilla":—

"The Department refers to your letter of the 17th ultimo, in regard to the classification of glazed yellow printing paper."

"With your letter you enclose a communication from the Appraiser, dated the 16th ultimo, in which he states that the paper under consideration is light yellow in colour, contains less than 30 per cent. sulphite and more than 70 per cent. mechanical wood pulp, and weighs about 32 lbs. per ream of five hundred sheets on a basis of 24×36 inches, but contains sizing to a greater extent than ordinary news print paper. The Appraiser further reports that the paper is imported in sheets measuring 22×34 inches, which is the standard writing and typewriting paper size and not the size used by newspapers.

"The Appraiser states that an investigation in the trade shows that the paper is known as "railroad manilla," and that its chief use is as second or record sheets for the typewriter.

"While it has been the practice to return the paper as standard news print paper, free under paragraph 1672 when imported in rolls or sheets of a diameter, width, or size usually used by newspapers, when not of a diameter, width, or size suitable for use by newspapers, it has been returned as printing paper not specially provided for at the rate of 4c. per pound and ten per centum *ad valorem* under paragraph 1301: the Appraiser expresses the opinion that in view of the information received, the paper is properly dutiable whether imported in rolls or sheets as typewriter paper at the rate of 3c. per pound and 15 per centum *ad valorem* under paragraph 1307.

"Inasmuch as it appears from the Appraiser's report that the paper when imported in sheets 22×34 inches is ordinarily used as writing and typewriter paper, the Department concurs in the recommendation that such paper should be assessed with duty at the rate of 3c. per pound and 15 per centum *ad valorem* under paragraph 1307 of the Tariff Act. It does not believe however, that sufficient evidence has been submitted to establish the fact that this quality, character, and colour of paper, when imported in rolls is used as writing and typewriting paper, and therefore is unable to concur in the recommendation of the Appraiser that this paper, when imported in rolls should also be assessed with duty under paragraph 1307.

"As it is the present practice to assess duty upon this 'railroad manilla' paper under paragraph 1301, such paper imported or withdrawn from customs custody within thirty days from the date hereof should be continued to be assessed with duty under the said paragraph and thereafter under paragraph 1307."

As the matter now stands, paper to be admitted free of duty into the United States under the classification of "Standard News Print" must be composed of groundwood and chemical pulp, with not more than 30 per

cent. sulphite content, and vary not more than 10 per cent. from 32 pound basis weight with no regard to colour.

Rolls must be 16 inches and over in width, and over 9 inches in diameter, and of a kind, quality and width ordinarily used by representative newspapers in writing their regular editions.

Paper in rolls and identical in composition with standard news print but which, because of its size, is chiefly used as wrapping paper, is subject to a duty 30 per cent. *ad valorem*.

Paper in sheets under 24×36 inches and identical in composition with standard news print was held May 6, 1924 (not published), to be dutiable as printing paper at ¼c. per lb. and 10 per cent. *ad valorem* under paragraph 1301 of the Tariff Act.

After September 4, 1924, "railroad manilla" will be dutiable at the rate of 3c per lb. and 5 per cent. *ad valorem* (News Print Service Bulletin).

Statement X.—Statement showing works cost per ton of finished paper for the half-year ending 30th September 1924, handed in by the Titaghur Paper Mills Company, Limited, on the 18th December 1924.

	Cost per ton.
	Rs.
Primary raw materials	124·394
Purchased pulp	101·628
Auxiliary raw materials	73·005
Mill labour	73·689
Power and fuel	53·228
Ordinary current repairs, etc.	51·856
General services and supervision, etc.	7·479
Miscellaneous charges, etc.	7·062
	<hr/>
	492·341
Head Office selling and freight charges	37·691
Financial charges	52·381
	<hr/>
	582·413

Paper Production 7,454,629 tons.

Calcutta, the 18th December 1924.

Statement XI.—Further supplementary statements submitted by the Titaghur Paper Mills Company, Limited, on the 22nd December 1924.

(1) "The detailed figures of costs and selling prices" referred to on page 227 of the printed evidence do not appear to have reached the Tariff Board and are now submitted.

(2) For the separate months of April to June which were then *pro formâ* figures only, we now beg to attach the final figures for the six months April to September (Appendix 1).

(3) To submit also a statement showing what costs would have been on an output of 1,500 tons per month (April to September 1924). (Appendix 1.)

(4) We also submit (Appendix 1) detailed figures of what we now hope to work to in 2 or 3 years' time, on reduced grass costs, internal savings in the mill and on an output of 1,500 tons per month which we maintain will be possible with additional protection. These differ in some details only from those referred to in paragraph 1 abovementioned, due to further consideration of these items.

(5) The price per ton and per lb. we have received for all our papers in 1923-24 and April to September 1924 has been as follows:—

	Per ton.	Per lb.
	Rs.	As.
1923-24	563.92	4.028
April—September 1924	536.62	3.833

Prices have since declined and we cannot look to these figures for the future

(6) Appendix II shows the price at which importers can sell against us at present.

(7) Appendix III shows the additional measure of protection necessary to give us a fair return on capital based on April—September cost figures.

(8) In our letter of 19th July, we based our application on costs of approximately annas 4 including an allowance for depreciation and a fair return on capital, and asked for a selling price based approximately on this figure of 4 annas. Our costs were actually 4 annas 5 pies per lb. or Rs. 619 per ton, due partly to low production and partly to adjustments in costs to bring our May and June *pro formâ* figures in line with the actual results.

The figures given in Appendix III show that with exchange at 1s. 4d., a 10 per cent. increase of tariff would have afforded the necessary protection on White Printings and Cream-laid, but that the increase in exchange to 1s. 6d. leaves a large margin to be bridged.

The figures submitted for April—September show that on 1,500 tons per month output, this gap would be largely bridged, and the further reductions in cost will also assist.

At the same time we do not feel that we can hold the market and sell our full output of 1,500 tons per month unless the price of imported papers is fixed at approximately 4 annas 3 pies per lb. or Rs. 595 per ton for the average of all papers or—

White Printing, annas 4-3 per lb. or Rs. 595 per ton.

Cream-laid, annas 4-6 per lb. or Rs. 630 per ton.

Badami, annas 3-3 per lb. or Rs. 455 per ton.

With imported papers at these prices we feel we look to selling our papers below the cost of imported papers, thereby keeping our works on full output and low costs.

APPENDIX I.

Statement showing detailed figures of costs.

	A.				B.				C.				D.			
	OUTPUT 15,036 TONS 1923-24.				OUTPUT 7,454-620 TONS APRIL-SEPTEMBER 1924.				FULL OUTPUT OF 9,000 TONS APRIL-SEPTEMBER 1924.				OUTPUT 1,500 TONS PER MONTH.			
	Rs.	Cost per ton.	Cost per lb.	As.	Rs.	Cost per ton.	Cost per lb.	As.	Rs.	Cost per ton.	Cost per lb.	As.	Rs.	Cost per ton.	Cost per lb.	As.
1. Primary Raw Materials	17,88,321	118 930	..	..	9,27,307	124 394	..	..	1,34,578	89 719	..	..	1,20,834	86 002	..	..
2. Purchased Pulp	15,01,766	106 528	..	..	7,57,607	101 628	..	..	1,01,628	62 274	..	..	99,411	62 274	..	..
3. Auxiliary Raw Materials	14,05,441	92 812	..	..	5,44,225	73 065	..	..	73 065	57 306	..	..	86,409	57 306	..	..
4. Mill Labour	11,54,859	76 805	..	..	5,46,323	73 689	..	..	53 228	50 000	..	..	75,400	50 000	..	..
5. Power and Fuel	11,45,862	76 208	..	..	3,06,708	41 865	..	..	42 951	51,858	..	..	34 572	47 000	..	..
6. Ordinary Current Repairs	7,90,249	52 557	..	..	3,86,504	51 865	..	..	12 044	18,000	..	..	12 000	12 000	..	..
7. General Services Supervision, etc.	1,07,027	7 118	..	..	55,751	7 479	..	..	3 345	5,88,260	3 345	..	392 173	2 501	..	..
8. Miscellaneous Charges	1,43,123	9 518	..	..	52,645	7 062	..	..	244	45,000	244	..	30 000	214	..	..
9. Works Cost	81,26,068	540 481	3 860	..	36,70,220	492 341	3 517	..	468 286	34 219	..	..	..	..	..	..
10. Head Office, Selling and Freight Charges	5,03,583	33 824	2 42	..	2,80,972	37 891	2 69	..	..	..	..	..	..	..	..	..
TOTAL COST	86,35,251	574 305	4 102	..	39,51,192	530 632	3 736	..	502 505	422 173	3 589	..	422 173	3 015	..	..
4c. Interest on Rs. 1,30,00,000 at 8 per cent (being fair return on Capital)	10,40,000	69 186	4 94	..	5,20,000	69 756	4 98	..	57 778	57 778	4 12	..	86,067	57 778	4 12	..
Allowance for Depreciation	3,00,000	19 553	4 13	..	1,50,000	20 120	1 43	..	16 667	16 667	1 19	..	25,000	16 667	1 19	..
TOTAL	99,75,251	663 424	4 739	..	46,21,192	619 908	4 427	..	576 950	496 618	4 120	..	7,44,927	496 618	3 546	..

The Savings under Heading "D" are due to the following calculated Savings :-

1. Primary Raw Materials. Saving of Rs. 1 per maund of Grass, i.e., reduction from Rs. 2-12 to Rs. 1-12 per maund.
2. Purchased Pulp. Reduction in quantity of Pulp bought (whether Wood or Bamboo Pulp) due to increased consumption of Grass.
3. Power and Fuel. We are as yet unable to say whether any reduction on Rs. 50 per ton on paper will be possible, as this is equivalent to 4 tons of coal per ton of paper with coal at about Rs. 11 and although we have proved on a short run that No. 1 Mill will run satisfactorily on the 3 new boilers, we have not yet had a long enough run to prove the lowest cost possible.

APPENDIX II.

Statement of prices of imported papers.

	C. I. F. Prices.	Exchange 1-4d.		Exchange 1-5d.		Exchange 1-6d.		Charges to Dealers Godown.	Duty at 15 per cent. on Tariff Valuation.	COST INTO DEALERS GODOWNS.			DEALERS COST PER LB.																					
		Rs.	A. P.	Rs.	A. P.	Rs.	A. P.			At 1-4d.	At 1-5d.	At 1-6d.	Rs.	A. P.	Exchange 1-4d.	Exchange 1-5d.	Exchange 1-6d.																	
£	s.	d.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.																		
<i>Printings.</i>																																		
White Printing M.	28	0	0	420	0	0	395	4	8	373	5	4	38	89	4	0	547	4	0	522	8	8	500	9	4	0	3	11	0	3	8½	0	3	6½
F. Dutch Printing	28	10	0	427	8	0	402	5	7	390	0	0	38	89	4	0	554	12	0	529	9	7	507	4	0	0	3	11½	0	3	9½	0	3	7½
Sup. Wood Free	32	14	4	490	12	0	461	14	0	436	3	7	38	89	4	0	618	0	0	589	2	0	563	7	7	0	4	5	0	4	2½	0	4	0½
Printing. Coloured	22	0	0	330	0	0	310	9	4	293	5	4	38	89	4	0	457	4	0	437	4	0	420	9	4	0	3	3	0	3	1½	0	3	0
Heavy Weights (Mechanical).																																		
Badami (Mechanical).	18	0	0	270	0	0	254	1	11	240	0	0	38	52	8	0	360	8	0	344	9	11	330	8	0	0	2	6½	0	2	5½	0	2	4
<i>Writings.</i>																																		
Austria Cream Laid	29	10	0	442	8	0	416	7	6	393	5	4	38	94	8	0	575	8	0	548	15	6	525	13	4	0	4	1½	0	3	11	0	3	9
Dutch Cream Laid	32	0	0	481	0	0	451	12	2	426	10	8	38	94	8	0	612	8	0	584	4	2	559	2	8	0	4	4½	0	4	2	0	4	0
Part Mechanical	29	0	0	435	0	0	409	6	7	396	10	8	38	84	0	0	557	0	0	551	6	7	508	10	8	0	3	11½	0	3	9½	0	3	7½
Laid.																																		
Bank Norwegian	27	10	0	562	8	0	529	6	6	500	0	0	38	136	8	0	737	0	0	703	14	6	674	8	0	0	5	3	0	5	0½	0	4	9½
<i>Wrappings.</i>																																		
Kraft	22	0	0	330	0	0	310	9	4	293	5	4	38	68	4	0	436	4	0	416	13	4	399	9	4	0	3	1½	0	2	11½	0	2	10
Brown Mechanical	15	0	0	225	0	0	211	12	3	200	0	0	38	68	4	0	331	4	0	318	0	3	306	4	0	0	2	4½	0	2	3½	0	2	2
Manilla	24	0	0	360	0	0	338	13	2	320	0	0	38	68	4	0	466	4	0	445	1	2	426	4	0	0	3	3½	0	3	2	0	3	0½
Blotting Continental.	29	10	0	442	8	0	416	7	6	393	5	4	38	67	8	0	548	0	0	521	15	6	498	13	4	0	3	7½	0	3	5	0	3	3½
<i>News.</i>																																		
German Account Book	17	10	0	262	8	0	247	0	11	233	5	4	38	47	4	0	347	12	0	332	4	11	318	9	4	0	2	5½	0	2	4½	0	2	3½
Printing (German).	29	10	0	442	8	0	416	7	6	393	5	4	38	136	8	0	617	0	0	590	15	6	567	13	4	0	4	5	0	4	2½	0	4	0½

APPENDIX III.

Statement showing the additional measure of protection to give the company a fair return.

	WHITE PRINTING.						CREAM LAIDS.						BADAMI.					
	IMPORTED PRICE £28 PER TON C. I. F.			IMPORTED PRICE £31 PER TON C. I. F.			IMPORTED PRICE £18 PER TON C. I. F. (LOW QUALITY).											
	Exchange 1-4d.	Exchange 1-5d.	Exchange 1-6d.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Exchange 1-4d.	Exchange 1-5d.	Exchange 1-6d.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Exchange 1-4d.	Exchange 1-5d.	Exchange 1-6d.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Imported Price	420 0 0	395 4 8	373 5 4	465 0 0	437 10 4	413 5 4	270 0 0	254 1 11	240 0 0	270 0 0	254 1 11	240 0 0	360 8 0	344 9 11	330 8 0	360 8 0	344 9 11	330 8 0
Dealers' charges	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0	38 0 0
15 per cent Duty on 4 sa. 3 p. per lb.	39 4 0	89 4 0	89 4 0	94 8 0	94 8 0	94 8 0	94 8 0	94 8 0	94 8 0	94 8 0	94 8 0	94 8 0	52 8 0	52 8 0	52 8 0	52 8 0	52 8 0	52 8 0
TOTAL	547 4 0	522 8 8	500 9 4	597 8 0	570 2 4	545 13 4	597 8 0	570 2 4	545 13 4	597 8 0	570 2 4	545 13 4	360 8 0	344 9 11	330 8 0	360 8 0	344 9 11	330 8 0
Dealers' Profit at 2½ per cent. on cut prices.	13 10 10	13 0 11	12 8 0	14 15 0	14 14 0	13 10 6	14 15 0	14 14 0	13 10 6	14 15 0	14 14 0	13 10 6	9 0 2	8 9 10	8 4 3	9 0 2	8 9 10	8 4 3
TOTAL	560 14 10	535 9 7	513 1 4	612 7 0	584 6 4	569 7 10	612 7 0	584 6 4	569 7 10	612 7 0	584 6 4	569 7 10	369 8 2	353 3 9	338 12 3	369 8 2	353 3 9	338 12 3
Fair selling price based on April-September figures.	619 0 0	619 0 0	619 0 0	654 0 0	654 0 0	654 0 0	654 0 0	654 0 0	654 0 0	654 0 0	654 0 0	654 0 0	455 0 0	455 0 0	455 0 0	455 0 0	455 0 0	455 0 0
Additional Protection required	58 1 2	83 6 5	105 14 8	41 9 0	69 9 8	94 8 2	41 9 0	69 9 8	94 8 2	41 9 0	69 9 8	94 8 2	85 7 10	101 12 3	116 3 9	85 7 10	101 12 3	116 3 9
10 per cent. addition to Tariff on 4 sa. 3 p. basis as originally asked for on basis of 1-4d. exchange	59 6 0	59 6 0	59 6 0	63 0 0	63 0 0	63 0 0	63 0 0	63 0 0	63 0 0	63 0 0	63 0 0	63 0 0	35 0 0	35 0 0	35 0 0	35 0 0	35 0 0	35 0 0
Difference	1 4 10	..	..	21 7 0	..	..	21 7 0	..	..	..	..	..	..	..	..	..	..	..
	..	24 0 5	46 8 8	..	6 9 8	31 8 2	..	6 9 8	31 8 2	..	6 9 8	31 8 2	50 7 10	66 12 3	81 3 9	50 7 10	66 12 3	81 3 9

N.B.—The difference between 1-4d. and 1-6d. exchange on £28 is Rs. 46-10-8.

Calcutta, 22nd December 1924.

APPENDIX IV.

Statement of Total Cost.

	ALL MARKETS.		CALCUTTA.	
	1923-24.	April- Septem- ber 1924.	1923-24.	April- Septem- ber 1924.
	Per ton. Rs.	Per ton. Rs.	Per ton. Rs.	Per ton. Rs.
Primary Raw Materials	118·936	124·394	118·936	124·394
Purchased Pulp	105·864	101·628	105·864	101·628
Auxiliary Raw Materials	93·472	73·005	93·472	73·005
Mill Labour	76·806	73·689	76·806	73·689
Power and Fuel	76·209	53·228	76·209	53·228
Ordinary current repairs, etc. . . .	52·557	51·856	52·557	51·856
General service and supervision . .	7·118	7·479	7·118	7·479
Miscellaneous charges	9·519	7·062	9·519	7·062
MANUFACTURING COST	540·481	492·341	540·481	492·341
RETURN ON CAPITALS.				
Working Capital Rs. 60,00,000 at 8 per cent.	31·923	32·195	31·923	32·195
Block Rs. 70,00,000 at 8 per cent . .	37·243	37·561	37·243	37·561
Depreciation Rs. 3,00,000	19·953	20·120	19·953	20·120
TOTAL COST F.O.R. MILLS	629·600	582·217	629·600	582·217
Selling and Distribution charges . . .	23·724	26·682	23·724	27·391
TOTAL	653·324	608·899	653·324	609·608
Railway Freight and Carriage	10·100	11·009	2·500	2·500
TOTAL	663·424	619·908	655·824	612·108
TONS MANUFACTURED	15·036	7,454·629	15·036	7,454·629

APPENDIX V.

Statement showing total Cost of Paper produced during half-year ending 30th September 1924.

(Bringing Form I up to 30th September 1924.)

	Total Cost.
	Rs.
Primary raw materials	9,27,307
Purchased pulp	7,57,607
Auxiliary raw materials	5,44,225
Mill labour	5,49,323
Power and fuel	3,96,798
Ordinary current repairs, etc.	3,86,564
General service and supervision, etc.	55,751
Miscellaneous charges	52,645
Head Office selling and freight charges	2,80,972
	<hr/>
	39,51,192
Interest	3,90,485
	<hr/>
TOTAL	43,41,677
Paper production { Gross Tons	7,805.126
{ Nett Tons	7,454.629

APPENDIX VI.

FORM II.

Statement showing Works Cost per ton of manufactured unbleached grass pulp during 1923-24.

	Rs.
Primary raw materials	155.469
Auxiliary raw materials	64.367
Mill labour	19.655
Power and fuel	22.563
Ordinary current repairs, etc.	7.874
General services, supervision, etc.	4.937
Miscellaneous charges	6.107
	<hr/>
	280.972

Production—5,671.159 tons.

APPENDIX VII.

FORM III.

Statement showing Works Cost per ton of manufactured Bleached Pulp during 1923-24.

	Rs.
Primary raw material	30·652
Purchased raw material	110·832
Manufactured raw material	169·640
Auxiliary raw material	12·308
Mill labour	7·463
Power and fuel	11·228
Ordinary current repairs, etc.	6·947
General services, Supervision, etc.	0·574
Miscellaneous charges	1·099
	<hr/>
	350·743
	<hr/>

Production—14 361·925 tons.

APPENDIX VIII (a).

FORM IV.

Statement showing Works Cost per ton of Finished Paper during 1923-24.

	Rs.
Primary raw material	Nil.
Purchased pulp	Nil.
Manufactured pulp	335·019
Auxiliary raw material	44·595
Mill labour	58·342
Power and fuel	52·472
Ordinary current repairs, etc.	41·381
General services, supervision, etc.	3·723
Miscellaneous charges	4·949
	<hr/>
	540·481
	<hr/>

Production—15,036 tons.

APPENDIX VIII (b).

Form IV.

Statement showing Works Cost per ton of Finished Paper during 1923-24.

	Rs.
Primary raw material	Nil.
Purchased raw material	Nil.
Manufactured raw material	335·019
Auxiliary raw material	44·595
Mill labour	58·342
Power and fuel	52·472
Ordinary current repairs, etc.	41·381
General services, supervision, etc.	3·723
Miscellaneous charges	4·949
	<hr/>
	540·481
Head Office selling and freight charges	33·824
	<hr/>
	574·305

Production—15,036 tons.

APPENDIX VIII (c).

Statement showing Works Cost per ton of Finished Paper for half-year ending 30th September 1924.

(Bringing Form IV up to 30th September 1924.)

	Rs.
Primary raw materials	124·394
Purchased pulp	101·628
Auxiliary raw materials	73·005
Mill labour	73·689
Power and fuel	53·228
Ordinary current repairs, etc.	51·856
General service and supervision, etc.	7·479
Miscellaneous charges, etc.	7·062
	<hr/>
	492·341

Paper Production—7,454·629 tons.

Statement XII.—Further statement submitted by the Titaghur Paper Mills Company, Limited, on the 24th December 1924.

With reference to your request for definite examples of imported paper replacing our own paper, we enclose herewith the undernoted letters as evidence:—

1. Extract from a letter, dated 17th December 1924, from our Delhi Branch with enclosure, dated 15th December 1924, from Uttam Chand Kapur & Sons, Lahore, and telegram, dated 2nd December 1924, from our Delhi Agent, Mr. Yates.
2. Letter, dated Lahore, 27th November 1924, from our representative there.

3. Extract from Bombay Agency report on Karachi market, dated 20th November 1924.
4. Letter, dated 14th August 1923, from the officiating Registrar, Senate House.

Enclosure I.

Extract from a letter, dated 17th December 1924, from Messrs. F. W. Heilgers & Co., Delhi, to Messrs. The Titaghur Paper Mills Company, Limited, Calcutta.

Uttam Chand Kapoor & Sons.

With reference to my report on the above contained in my letter of 3rd instant, I am attaching a copy of a letter received from these friends, dated 15th instant, and very much regret that Messrs. John Dickinson & Co. quotation for 5,000 reams Quad Crown 56 and 60 lbs. at £32-5-0 less 5 per cent. has been confirmed by their London Office and so this business is lost.

* * * * *

I hope, however, that future business from this source will come to us.

Copy of a letter No. 001505, dated 15th December 1924, from Messrs. Uttam Chand Kapur & Sons, Lahore, to Messrs. The Titaghur Paper Mills Company, Limited, Delhi.

We have received your letter of the 3rd instant. In the presence of your representative Mr. Yates we had sent a telegram to Messrs. John Dickinson & Co. to accept or cancel our order at once. They have now confirmed our order and so we are very sorry that we are unable to place the order with you. However, we hope to place the order for our next year's requirements with you.

Copy of telegram, dated 2nd December 1924, from Mr. Yates, Delhi, representative of the Titaghur Paper Mills, to Messrs. F. W. Heilgers & Co., Calcutta.

With reference my letter from Lahore can you accept 4 annas nett for Quad Crown possibility of order for 5,000 reams from Uttam Chand Kapoor if accepted if necessary. can you offer Uttamchand sixty days sight order only holds good till to-morrow. Please telegraph express by return.

Enclosure II.

Copy of letter, dated Lahore, 27th November 1924, from Mr. Yates, to Messrs. F. W. Heilgers & Co., Calcutta.

Re Rai Sahib M. Gulab Singh.

With reference to the above I regret to inform you that an order for 2,000 reams Quad Crown 60 lbs. has been placed by the above with Messrs. John Dickinson at 4 annas per lb. f.o.r. Lahore. This paper is yellow label and unless we are willing to come down to the same price this year's business with the above friends is lost.

In addition to the above Messrs. Charles Morgan & Co.'s representative is in Lahore and is offering the same paper at 3½ pence c.i.f. Karachi which at the present rate of exchange comes to just under 4 annas f.o.r. Lahore.

Messrs. Rai Saheb M. Gulab Singh have recently sent you an order for 1,000 reams of the above paper at our old rate of 4 annas and 1½ pies, but this paper is only required by them until such time as the 2,000 reams mentioned above arrive from Messrs. John Dickinson.

If we can come down to this quotation of 4 annas it means that we can obtain the entire contract for next year, but if not it will go elsewhere and I would suggest that in view of the heavy weight of this paper we may perhaps be able to agree to this reduction.

This matter is extremely urgent and it is for this reason that I am writing to you to-day, Thursday, so that my letter may reach you on Saturday and I trust you will please, therefore, telegraph to me in Delhi directly you receive this and inform me whether you are agreeable to this reduction. If so, any bills from date for Quad Crown 60 lbs. should be invoiced at 4 annas. I would point out, however, that the old price will hold good for any other sizes and weights and this special price of annas four only applies to Quad Crown 60 lbs.

My further report on the Lahore situation will be sent from Delh..

Enclosure III.

*Extract from a report on Karachi market, dated 20th November 1924,
received from our Agents in Bombay.*

"German mills are exporting Bank Paper at Karachi at the rate of annas 3½ per lb. c.i.f. Karachi; samples of the above Banks are attached herewith. Orders were accepted subject to confirmation by Calcutta from the Sind Typewriting Company, at the rate of 4 annas 6 pies per lb. for the White and 4 annas 9 pies for the Tinted. These prices are low and in view of the above competition I would recommend the acceptance of same as these sales would have the effect of cutting out the German Bank Papers and we could then harden our prices when once our paper is established in the market."

(Remarks by T. P. M., Calcutta.)

We returned the order to Bombay stating that we could not accept at less than 4 annas 10½ pies for the White and 5 annas 1½ pies for the Tinted. The order was refused by the customer at this price, presumably in favour of the German Bank.

Enclosure IV.

Senate House, 14th August 1923.

Messrs. F. W. Heilgers & Co.,
Calcutta.

DEAR SIRS,

I shall be obliged if you will quote your rates submitting samples in every case for supplying the following articles for use in the University Office at an early date:—

	Reams.
*24 lbs. Royal White with writing surface, delivery to be given in the last week of November 1923 .	3,000
20 lbs. Royal Badami	465

Yours faithfully,

Sd. (Illegible).

Offg. Registrar.

*T. P. M. quoted 4 annas 3 pies.

Order went to Dickinson's at 4 annas.

Statement XIII.—Submitted by the Titaghur Paper Mills Co., Ltd., on the 5th January 1925.

	I.—GRASS COST EACH AREA (PER TON).					
	Royalty.	Cutting and Baling.	Carting.	Miscellaneous.	Freight.	TOTAL.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
<i>(a) Western Circle—</i>						
Actual (52,500 maunds)	47 7 0	14 8 11	10 13 1	25 15 7	13 10 3	112 6 10
Estimated (4,00,000 maunds)	10 10 0	14 8 11	10 13 1	3 6 6	13 10 3	53 0 9
<i>(b) Nepal—</i>						
Actual (2,60,500 maunds)	9 1 6	13 9 9	10 3 4	10 3 4	13 14 9	57 0 8
Estimated (4,00,000 maunds)	5 14 3	13 9 9	10 3 4	10 3 4	13 14 9	53 13 5
<i>(c) Ramjeedas (Contract Delivered Mills)—</i>						
At Rs. 1-4-6 per maund D/D (1905-06 to 1919-20)					34 14 0	
At Rs. 2-1-0 per maund D/D (1920 to 1923)					56 2 3	
At Rs. 1-12-3 per maund D/D (1923-24)					48 1 0	

II.—TOTAL COST OF WAGES PAID AT THE GRASS FIELDS (Season 1923-24 actual working).

	Rs.	
(a) Western Circle	75,921	
(b) Nepal	1,95,375	
(c) Ramjeedas	1,83,750	(Approximate at Rs. 0-14-0 per maund on 2,10,000 maunds).
TOTAL	4,65,046	

III.—RAILWAY FREIGHT FOR GRASS (per maund).

	1913-14.	1920.	1922.	Early 1924.	New rate late 1924.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
(a) Western Circle	Nil	0 8 1	0 10 11	0 9 11	0 8 1
(b) Nepal	0 5 10	0 10 1	0 11 0	0 10 7	0 8 5
(c) Ramjeedas (B. N. R. Excluded)	0 2 4	0 3 7	0 3 4	0 3 8	0 2 8

Statement XIV.—Letter, dated 3rd February 1925, from the Titaghur Paper Mills Company, Limited, Calcutta.

With reference to the President's suggestion during our oral examination on the 18th December that we should get out figures of proportion of Job Papers sold, we have now to advise you that from 1st of April to 31st December 1924 we only despatched 294 tons of Job from the Mills which is equal to 2.73 per cent. of the total quantity despatched during the period. This figure includes Job lots despatched to all markets.

THE TITAGHUR PAPER MILLS COMPANY, LIMITED.

B.—ORAL.

Evidence of Sir WILLOUGHBY CAREY, M.L.C., Mr. E. A. BELLAMY and Mr. A. W. WOOD, recorded at Simla on the 23rd July 1924.

Sir W. Carey.—May I ask permission to put in two more statements? One * is a reply to the statement which has been made by Messrs. John Dickinson & Co. and the other † is an attempt to make a fresh summary of the claim or request for protection in a short form with proposed new capital figures, basing it on the position of the industry as it stands at present.

President.—Are you appearing only on behalf of the Titaghur Paper Mills Co. or also on behalf of the Association?

Sir W. Carey.—Only Titaghur.

President.—I gather that the Association does not intend to send in any reply apart from those of the individual companies.

Sir W. Carey.—No.

President.—In answer to Question 7 you say “in selecting the site of a paper mill in India it is necessary that it should be as far as possible central to its markets and its raw materials, with a plentiful supply of clean fresh water all the year round. Proximity to coal or other fuel is also essential, and the vicinity of a sea port for the import of materials and machinery and the export of finished product by coastal routes.” If all these things are necessary, there are very few sites suitable for a paper factory in India.

Sir W. Carey.—What I think was intended here is that wherever possible they are all advisable.

President.—That is to say, in your answer the words “necessary” and “essential” are not to be literally construed. As the answer stands, it puts the case very high indeed.

Sir W. Carey.—It does. These are the ideal conditions which in a country like India cannot always exist.

President.—Take your own mill in Calcutta. You are relatively near your coal and your port and also near a large market, but you are not near your supplies of raw materials. On the other hand, an up-country mill would be far from its coal and market.

Sir W. Carey.—It is true.

President.—Therefore I should like to get some idea which of these various factors is the most important. It is obvious that you must have a water supply.

Sir W. Carey.—There must be a plentiful supply of clean fresh water for the manufacture of paper or for pulp.

President.—You see the importance of this. It is very important in looking forward to the future of the paper industry in India to consider just how far a mill established at a long distance from the supply of fuel stands a chance.

Sir W. Carey.—As regards the supply of water in hilly country like parts of India it is possible in many places to have a catchment area and a dam.

President.—Do you mean for the development of hydro-electric power?

Sir W. Carey.—Even for the supply of water itself.

President.—As far as water is concerned, I have no doubt that the particular need can be met in a very large number of places all over India. I do

* Statement II.

† Statement III.

not feel any particular anxiety about it. But the question of fuel and power is to my mind one of the difficulties.

Sir W. Carey.—You can get away from that to some extent by two means. One is, of course, the choosing of a site suitable for creating a dam to provide you with hydro-electric power, and also suitable forests within reasonable reach, so that the fuel for your boiling and drying, whether of pulp or paper really becomes the only fuel essential. The manufacturing processes, except for these, can all be run hydro-electrically.

President.—Perhaps it would be easier if we revert to that point when we come to “power and fuel,” but I wanted to mention it at the beginning, because it is very important to the future of the paper industry in India to what extent paper mills can be established at various points in the country.

In answer to Question 8 you have given the approximate percentage of your outturn for various kinds of paper. The Browns, Badamis and News come to 30 per cent. Would that classification include unbleached paper?

Sir W. Carey.—Yes.

President.—Then in answer to Question 10 you say “we are compelled to manufacture a large variety in order to meet competition offered by the importers, and owing to there being an insufficient number of mills in the country to admit of specialising in qualities and inter-dealing on the British system while as a whole catering for all kinds in demand.” Is it not rather more than that? Is it not also this that there is an insufficient demand for any particular kind of paper in the country? Is the Indian market large enough at present to admit of specialisation?

Mr. Bellamy.—This demand certainly does exist, only we have got to take any order that is offered to us at present owing to the competition for business.

Sir W. Carey.—Of course, a mill might specialise by turning out three or four thousand tons of paper: it need not necessarily be a full 4 or 8-machine mill. A 4-machine mill would be advisable; a 2-machine mill could be put up, but it depends so much on local conditions.

President.—You think the market is large enough to admit of specialisation in some kinds in white printing for instance?

Sir W. Carey.—Yes. Last year there were 1,600 tons of white printing alone imported into India.

President.—So far as the size of the market is concerned, you think that specialisation, at any rate in one or two kinds of paper, is possible?

Sir W. Carey.—If we could secure the whole market for all classes of paper that can be made in India with Indian materials, it would be possible to specialise.

President.—Is that the only reason, or is there anything in the conditions in India which make specialisation difficult? The reason why I am asking you is that the answer we got to the same question from another mill, probably the Bengal Paper Mills, is that the Indian local agents were constantly called upon by their customers to supply any kind of paper, and they expected to be able to get from the paper mill with which they dealt any kind of paper.

Mr. Ginwala.—They said that in orders for a particular kind of paper the quantity was too small, and there were too many varieties asked for. That was the difficulty.

Sir W. Carey.—That is true in the market at present. Orders are coupled very often.

Mr. Ginwala.—There are two things: orders are said to be too small and there are too many varieties asked for.

Sir W. Carey.—What I think really the position is, that, if we could be assured of having a larger field to choose from, by having imported papers of all qualities put to a price at which we could compete for those qualities that

we can make, we should then be able to get larger orders for special lines which we should certainly take. It would eliminate, I think, a lot of smaller orders.

Mr. Ginwala.—Are all these varieties that are used in the bazar absolutely necessary?

Sir W. Carey.—I have always had a theory that they might be educated up to it, that is to say, the qualities which Indian mills could make on big runs might be made acceptable to the market in larger quantities; but at present it is not possible to do that, because of the keen foreign competition in all grades.

President.—I am afraid I do not quite understand how foreign competition prevents you from specialising. Is it this that, owing to foreign competition, in order to get a market at all, you have to take up orders which are too small to be dealt with by importers? Is that it?

Sir W. Carey.—No. We have people who would like to buy from the Indian mill, but with those orders of a decent size, in order to get the advantage perhaps of credit here and buying smaller lots than they would be able to get from abroad, they also give us a lot of small orders which we do not really want, but which we have to take in order to keep customers.

President.—How are these requirements to be supplied? If you cease to supply, who is going to supply them in the future?

Sir W. Carey.—May I ask what exactly is the real point?

President.—You say that, once protection is given, you would be able to decline these smaller miscellaneous orders, and concentrate on the manufacture of particular kinds of paper. What I asked was who is going to supply these smaller orders in future? Where are the consumers of paper to go to have their needs supplied?

Sir W. Carey.—Some, I think, would be substituted by other lines, and others would be still supplied by the importer and other mills specialising in those particular classes of paper.

President.—Not “still supplied” because *ex hypothesi* the Indian mills are not going to supply any longer. I do not really see that this question is much affected by protection. If you could concentrate on the manufacture of two or three kinds of paper, I gather that it would reduce your costs, and therefore you would at once be in a position to compete with imported paper.

Sir W. Carey.—We have always tried to do it and we found it impossible to do it because of the import competition.

President.—It can only be impossible if you could not find a sufficient market for your outturn, after you had concentrated on one or two kinds. But so long as you can keep your mill fully employed, I don't see where the difficulty comes in.

Sir W. Carey.—I was going to say that, if it were on a level price, we could get larger lines.

President.—I don't follow, unless it means that you charge a higher price for these miscellaneous orders to make them remunerative. You might, for example, make only certain qualities of paper, *e.g.*, white printing and writing paper. If you could sell a sufficient quantity, even at a price lower than what you are getting at present for that kind of paper, you might reduce your costs by getting rid of these miscellaneous orders to such an extent that you would be better off than you are at present. But if there is a difficulty in finding a market for some reason—a difficulty, that is, in selling a sufficient quantity of the kinds in which you specialise, then, of course, I can understand it.

Sir W. Carey.—That is the difficulty at present, and if we went in for specialisation in two or three lines for the bazar, we should lose trade, at any rate for a time, and we have never been in a position to afford to do so.

President.—That is what I wanted to bring out. That is to say, people would not come to you for the kind of paper you are specialising in because they could not also get the other kinds.

Sir W. Carey.—That is so. We would have to educate a market, but we have never been in a position to afford to do it, because during the short period of prosperity that occurred during the war, it was just a question of making paper; the mills were forced to make what they could with the materials then available. There is another point with regard to the number of kinds that we have to make, and that is what the Government call for. They call for a large number of makes.

President.—Then again, if there were more mills, it would be easier to arrange.

Sir W. Carey.—Quite so.

Mr. Ginwala.—How many Directors have you altogether? I notice that there are three Indian Directors.

Sir W. Carey.—We have eight.

Mr. Ginwala.—But three is a small proportion, isn't it, as compared with the number of shareholders. How do they allow it? Have they more faith in European management, or is it pure want of interest,—what is it? I don't understand how, if there are 70 per cent. Indian shareholders, there are only three Indian Directors: there should be at least two more. I know it does happen that the Indian shareholder is very indifferent at times, is that the explanation in your opinion?

Sir W. Carey.—I think the Indian shareholders feel they have got three very good Directors.

Mr. Ginwala.—Who are they?

Sir W. Carey.—There has just been a vacancy: Mr. Birla has resigned and has been replaced by Mr. Harkissen Bhatler of Messrs. Sarupchand Hukumchand; then there is Mr. Badridas Goenka and Mr. Naraindas Bajoria.

Mr. Ginwala.—Are they large shareholders?

Sir W. Carey.—I don't know.

Mr. Ginwala.—It does seem to me rather curious.

Sir W. Carey.—I think it is a very common position with regard to most industrial companies in the east of India with very large Indian shareholdings.

Mr. Ginwala.—It may be due to the fact that there are not so many Indians interested in business in the east as there are in the west of India. Then in answer to Question 4 you say "The last additions to machines have been made in the year 1905." Surely that does not apply to the whole machinery?

Sir W. Carey.—No, the papermaking machines only as distinct from the rest of the mill.

Mr. Ginwala.—Does not that make them rather out of date?

Sir W. Carey.—I don't think so. You will find many mills all over the world making first class paper with machines that have been running for 30 or 40 years.

Mr. Ginwala.—That does not mean that the machine is efficient. I may be able to make paper by hand: and you may require a machine. That is quite a different thing.

Sir W. Carey.—As a matter of fact we had more than one discussion—quite apart from the question of expenditure—as to the suitability of the machines for the Indian market—these particular machines—

Mr. Ginwala.—I may tell you that criticism has been made that the machinery in this country—not necessarily in the Titaghur mills—is extremely antiquated.

Sir W. Carey.—We have been advised on more than one occasion, and quite recently, that our machines are very suitable for the Indian market—that is, for making the class of paper demanded. We might put up larger machines running very fast and that sort of thing, but at present for making some of the classes of paper that we are asked to make we cannot run our machines at full speed.

Mr. Ginwala.—Surely you can regulate your machinery to any speed. It is not necessary to have old fashioned machines for that purpose.

Sir W. Carey.—I am afraid I cannot admit that our paper-making machinery is old-fashioned. Of course, the statement that the last additions were made in 1905 does not include the tremendous number of additions and alterations and improvements made from time to time since then.

Mr. Ginwala.—Then in your answer to Question 6, the output for 1922 appears to be rather small as compared with the previous years.

Sir W. Carey.—That was the time of renovation of the mills.

Mr. Ginwala.—Have you completed the renovations?

Sir W. Carey.—Practically complete—on present scheme.

President.—Are these outputs that you have given for both the mills together?

Sir W. Carey.—Yes.

Mr. Ginwala.—Do you agree with the opinion expressed by some experts that the pulp mill must be near the raw materials in any case, and that you may manufacture paper there if conditions are favourable, or elsewhere where conditions are more favourable? Now with regard to the first point, do you agree that the pulp mill should be in the vicinity of the fibre?

Sir W. Carey.—I think, if you have other suitable conditions at the same time, that is to say, water and local fuel—

Mr. Ginwala.—Let us put it this way. Where does the industry stand a better chance of success—near or in the vicinity of the fibre in pulp manufacture or away from it?

Sir W. Carey.—It should be in a central position with reference to the fibre, not necessarily actually near it.

President.—It might be central with your fibre coming from 1,000 miles round.

Mr. Ginwala.—The point is the cost of transport of the fibre. It must be so situated that the cost of transport of the fibre to the pulp mill should not be uncommercial.

Sir W. Carey.—Exactly, it should be as low as possible.

Mr. Ginwala.—Therefore it follows that it must be within reasonable distance of the fibre?

Sir W. Carey.—Yes.

Mr. Ginwala.—That you agree is one of the conditions?

Sir W. Carey.—Yes. Still, I am afraid I must hold to my central position.

President.—So long as the fibre has not to be brought from a great distance, the central position does not seem important.

Sir W. Carey.—It all depends upon the extent of your supplies at that one point, if it is enough to supply the whole of your mill.

President.—Your point is that if you are drawing your supplies from all sides, it is more likely that you will not have to draw them from great distances.

Sir W. Carey.—Yes.

Mr. Ginwala.—The manufacturer in Great Britain gets his fibre from very long distances and somehow manages to undersell you. But take the other countries like Sweden, Norway and Canada, where, you know, the pulp mills

are not very far from the fibre; that is what I meant. I don't mean a site like yours, which you call central because it is 900 miles from some of your sources of supply.

Sir W. Carey.—We have expanded our resources of raw material, that is to say, we have gone out as far as we can economically do so to develop our raw materials from the central site of the mill.

Mr. Ginwala.—As a matter of principle, I think it must be admitted that except in Great Britain this principle generally holds good.

Sir W. Carey.—Yes. Of course in Sweden. I have not been to Sweden since 1914, but even then some of the mills were drawing their pulp wood from even 600 or 700 miles.

Mr. Ginwala.—But it comes down what they call the fjords.

Sir W. Carey.—Yes, they have very easy means of transport. But I quite agree that it is good to have the mill as near its fibre as possible.

Mr. Ginwala.—With regard to grass as a fibre it does not lend itself very much to the application of that principle, does it?

Sir W. Carey.—I don't think grass has been up to the present nearly enough prospected.

Mr. Ginwala.—I am not talking of what might have taken place; I am talking of the present conditions. What I want to know is, so far as the exploitation of grass as a fibre goes in this country at present, the application of this principle is difficult, isn't it?

Sir W. Carey.—I would not go so far as that.

Mr. Ginwala.—How far would you go? Can you put up a pulp mill in the Nepalgunge forests, for instance?

Sir W. Carey.—Not in the Nepal forests.

Mr. Ginwala.—Can you do it in other forests?

Sir W. Carey.—It is possible in the forests in the United Provinces.

Mr. Ginwala.—Can you get the whole of your fibre from one field?

Sir W. Carey.—Yes.

Mr. Ginwala.—How much would it be?

Sir W. Carey.—25,000 tons of grass.

Mr. Ginwala.—But then you have got an 18,000 tons unit?

Sir W. Carey.—I take it that, if you are considering the possibility of putting down a new mill, you put down what is a commercial unit; it may be 5,000 tons or it may be 10,000 tons a year. 10,000 tons would certainly be a commercial unit.

Mr. Ginwala.—In some cases it may be possible?

Sir W. Carey.—Yes. Speaking of grass, we have of course only prospected tentatively because we have not had funds, but from the figures we have we gather that it should be possible to put down a mill in the United Provinces. There are other districts, I am sure, where, if properly prospected for *sabai*, an equal chance would be found for putting down a mill.

Mr. Ginwala.—Now let us take bamboo. Bamboo lends itself more easily to that?

Sir W. Carey.—It is heavier and occupies a smaller space.

Mr. Ginwala.—Its growth has now been found to be more regular?

Sir W. Carey.—I don't think there is any doubt whatever that an every five years cutting is quite possible as the growth renews itself during that period.

Mr. Ginwala.—So that you are quite secure of supplies?

Sir W. Carey.—Yes.

Mr. Ginwala.—Therefore what I want to know is—I am only speaking generally and not talking of any particular mill—is not bamboo more reliable as a means of developing the industry as a whole?

Sir W. Carey.—Bamboo is a thing which must be distinctly looked upon as a fibre for the future. We have always thought so.

Mr. Ginwala.—In the case of bamboo what would you recommend? Would you have the manufacture of pulp along with paper or would you have the manufacture of pulp near the fibre and then transport it to the paper mill?

Sir W. Carey.—It depends very much on what we are making the pulp for.

Mr. Ginwala.—I am taking it that you are manufacturing paper. Let us take that first. In your own scheme what did you have?

Sir W. Carey.—We had the idea of making pulp for our own consumption and the consumption of other Indian mills. We were going to manufacture 10,000 tons of pulp which we should use in addition to *sabai* and in replacement of the imported pulp.

Mr. Ginwala.—In the Titaghur mills or where?

Sir W. Carey.—In our own mills in Burma, and we were going to do it for others when we had succeeded.

Mr. Ginwala.—It comes to this: where you manufacture your pulp for export, it will be preferable to manufacture pulp near the fibre, and to manufacture it into paper where the conditions are favourable.

Sir W. Carey.—At the same time it is necessary that you should be on a waterway so that you can float your bamboo rather than get it by railway transport. Preferably you should have water communication with a port, if possible, for export purposes. There have been several sites which have been pointed out to us.

Mr. Ginwala.—How much water do you want per ton of pulp or paper? You get your water from the Hooghly, I think?

Sir W. Carey.—We are using at Titaghur for an output of 15/1600 tons a month 2 million gallons daily of pure water. That is for all purposes.

Mr. Ginwala.—When you say pure water you don't mean free from bacteria, but only free from mechanical impurities?

Sir W. Carey.—Yes.

Mr. Ginwala.—As regards your answer to Question 10: is it necessary for the Indian consumer to have so many varieties of paper?

Sir W. Carey.—I wish he could think it was not.

Mr. Ginwala.—Is there any variety that he asks you to give that is indispensable for use? Of course he should have white printing paper. But is it necessary that he should have so many varieties? I am thinking of ordinary paper.

Sir W. Carey.—I should think not.

Mr. Ginwala.—The point is: does he really want it?

Sir W. Carey.—He wants the different qualities on account of the differences in prices.

Mr. Ginwala.—Let alone the price.

Sir W. Carey.—The bazar, of course, has been very well treated.

Mr. Ginwala.—There are two different kinds of paper, blue, red, etc. He need not have the red if he can do with the blue.

Sir W. Carey.—They have been given the paper that they have asked for. They have been able to get them so far. I take it that so long as they are able to get them, they will ask for them.

Mr. Ginwala.—Supposing there are 50 varieties you can manufacture and he wants them all because he can get them; there may be 25 varieties which he can do without. He simply asks for them because he thinks that you would let him have them.

Sir W. Carey.—I think that you are trying to get to the point of helping the mills to make a smaller number of kinds—both present and future mills.

Mr. Ginwala.—The only thing is that it should not involve any hardship to the consumer if he is confined to the use of a smaller number of varieties.

Sir W. Carey.—I have always held the view that it is possible to reduce the number of varieties. In reducing some you may drive the consumer to imported papers. He would still use something similar to what he used to have before. That is our difficulty. We find that, if we don't take a lot of these little orders, we do lose business. It goes to importing firms.

Mr. Ginwala.—Supposing the Board find that it is really a waste of national resources for the consumer to have these fads, and they say "All right, we shall devise some means by which he cannot substitute any imported paper"?

Sir W. Carey.—In that case I quite agree. That is the point which I was trying to make before the President. It is then possible I am sure to use a smaller number of grades.

Mr. Ginwala.—Is it possible?

Sir W. Carey.—My view is that, if the difference in prices between the different qualities of paper is levelled up, then the bazar will take a better quality of paper to some extent.

President.—Do you mean that the inferior kinds of paper should be made more expensive? I don't quite follow.

Sir W. Carey.—No. I did not put it properly.

Mr. Ginwala.—That was no answer to my question. Take the case of the Ford car. You go to the Ford people and ask for a 10 horse-power car. They say 'no.' You go to the Wolsley people. They would give you a 10 horse-power car, or a 15 horse-power car and possibly other horse-powers. But the consumer soon begins to realise that a 10 horse-power car is not any the cheaper. I want to know whether that sort of thing is possible in your paper business.

Sir W. Carey.—I should say it is.

President.—Would it not be essential that such replacement of paper as is going to take the place of different varieties should be cheaper? That is the only practical method by which you can get at the consumer.

Sir W. Carey.—That is what the mills are working to do to reduce as far as possible the cost of their better grades of paper. That is what we are trying to do all the time. We have been successful to some extent already. Nobody would be better pleased than the mills to be able to reduce the price of decent qualities of paper.

President.—After all, what Mr. Ginwala is aiming at is to find some means by which the Indian consumer will be content with a much smaller number of varieties of paper. What I am suggesting to you is that the only way by which that can be done is to make the kind of paper produced by the mills relatively cheap. Whether it is a good kind of paper or a bad kind of paper is not Mr. Ginwala's point. It was that which has led to the success of the Ford car—through standardization, mass production and consequently a very low price.

Mr. Ginwala.—They refuse to give anything but the standard type.

President.—If you can think of any other way of attaining Mr. Ginwala's object, by all means tell us. Of course, it might conceivably be done by imposing import duties of such a kind as to make these varieties of paper relatively expensive. You get the same result in the end.

Sir W. Carey.—In the actual matter of practical politics, I cannot do better than repeat what I said earlier, that the mills have always had the idea of reducing the numbers of their makes, but that they have been unable to do so.

Mr. Ginwala.—How can the mills be enabled to do so?

Sir W. Carey.—I should like to think it over.

Mr. Ginwala.—Apart from the question of quantities, what is the difficulty in making the different varieties? Is it a question of weight, is it a

question of fibre that you have got to use in different varieties or what is it? What makes it so expensive to have so many varieties?

Sir W. Carey.—Continual changes, stoppage of machines, altering weights, etc.

Mr. Ginwala.—That is, you have got to use different rollers?

Sir W. Carey.—You have got to stop your machine, let go certain fibres, alter your speeds and so forth.

Mr. Ginwala.—It makes the mechanical process more difficult?

Sir W. Carey.—Yes.

Mr. Ginwala.—The chemical process is not affected?

Sir W. Carey.—No, it is only a question of losing time and pulp.

Mr. Kale.—You speak of importing superior officers who are in touch with the newest methods employed in Europe and America. When these men are appointed, are their appointments only for short periods?

Sir W. Carey.—Generally for a term of years.

Mr. Kale.—How many years?

Sir W. Carey.—3 to 4.

Mr. Kale.—Are they generally continued afterwards?

Sir W. Carey.—Of late that has not been the case. We have more or less short term arrangements.

Mr. Kale.—If you want to get the full advantage of these experts from Europe and America, you cannot have these men here for long periods. If they remain in India, they will be out of touch?

Sir W. Carey.—They go home to keep themselves in touch.

Mr. Kale.—Do you give them facilities for this so that they might go to the works and study new processes?

Sir W. Carey.—Yes. When they get their leave they generally spend their time in study.

Mr. Kale.—You don't do anything?

Sir W. Carey.—We do to some extent. We get them introductions.

Mr. Kale.—Do you think that the processes of paper manufacture are to be distinguished from other manufactures so far as experience and training are concerned; that is to say, does the paper manufacture require more intense experience and training than any other industry?

Sir W. Carey.—It requires very practical training.

Mr. Kale.—Every other industry requires it. You say "This industry is one which requires a man to be trained from a very early age in a practical manner in the mill." Does it not apply to other industries also?

Sir W. Carey.—Very likely to many, I quite agree.

Mr. Kale.—This is not a speciality of paper manufacture?

Sir W. Carey.—No, but it is essential to this trade.

Mr. Kale.—That is to say, a man cannot pick up this industry or some of the operations in it in two or three years?

Sir W. Carey.—No, he cannot.

Mr. Kale.—That would practically mean the creation of a caste of paper manufacturers?

Sir W. Carey.—It comes to that in England and in America.

Mr. Kale.—That is so in all countries in all industries, but I thought that, with modern methods of technical education, it had become now possible for a young man to pick up this industry in three or four years.

Sir W. Carey.—A man can get a lot of technical training; a man can get a lot of technical knowledge; but he must have the practical training in paper manufacture, more so than perhaps in some others. I don't say in all but in some.

Mr. Kale.—In answer to Question 9 (b) you refer to certain hand-made writing papers. The so-called hand-made writing papers appear to be manufactured by machinery. That seems to be rather inconsistent. What, are these 'hand-made' writing papers made by machinery?

Sir W. Carey.—I think that there are actually mills specialising in making stuff by hand. Also to some extent it is a trade name.

Mr. Kale.—To what extent have you been able to supplant the hand-made paper in India which is used for ledgers and other purposes? Indian merchants—Marwaris and others—use for their ledgers hand-made paper. Have you been able to replace that?

Sir W. Carey.—I don't think that it is really hand-made paper that they use.

Mr. Kale.—Some of these are actually hand-made. They buy at Dewali and the Dasra at the beginning of the year.

Sir W. Carey.—We don't do that.

Mr. Kale.—You have postponed giving an answer to what Mr. Ginwala was asking you. I don't want to press that question just now. I want simply that you should consider one point before you give your answer, so that I may not have further to ask you later on. He was asking you whether it would not be possible to confine or restrict the Indian consumer to particular varieties. But don't you think that this will be practically imposing your own will upon the consumer? The manufacturer can do it only by making his wares more attractive either in price or in quality. Government cannot come down on the consumer and say "you shall buy this and you shall use this paper." That would be the old type of sumptuary laws. So the only way in which the manufacturer can make the consumer use a particular type of article will be to make it attractive by improving the quality or lowering the price. To my mind these are the only two ways of doing it, unless the Government were to make a law that from to-morrow all consumers in India are to use only two or three varieties of paper. That is the position as I understand it.

II. RAW MATERIALS.

A.—Primary.

President.—In answer to Question 16, you say "There are however some 11/12 lakhs maunds in our fields, provided it paid to work out the additional quantity, which at present it does not." I am not quite sure that I understand that.

Sir W. Carey.—Our present consumption of grass is from 8 to 9 lakhs of maunds. If we worked our mills to their full capacity, we could go further afield and get another two or three lakhs of maunds, provided railway freights came down, or labour charges went back to pre-war level.

President.—Does the answer mean that it does not pay you at present to work more distant fields?

Sir W. Carey.—It does not pay us to go into the more distant fields.

President.—If, however, the railway freight were lower, you could afford to go in for it. It really depends on the railway freight?

Sir W. Carey.—Yes. But I may say that we had to go as far as Nepal to supply ourselves. We have gradually extended out as the consumption of grass increased.

President.—You say lower down in the same answer "The importation of wood pulp is dependent upon the cost of collection and conversion of other raw materials in proportion to the varying prices of the pulp offered from Europe." I take it that, if wood pulp happens to be cheap, you use more wood pulp in the manufacture of paper. On the other hand, if it happens to be expensive, you have got to rely more on grass.

Sir W. Carey.—That is so.

President.—So that it is one of the factors affecting your consumption of wood pulp?

Sir W. Carey.—Yes.

President.—Then you say "As regards rags and waste paper, the limit on the eastern side of India has been reached, both as regards quantities of supply and the cost." That is to say, supposing new mills were erected, they would be competing with you for the available supply?

Sir W. Carey.—I understand that the other mills do not agree with us. It is merely a statement of opinion.

President.—If your opinion is correct, that would be the result, would it not?

Sir W. Carey.—That is to say, the erection of other mills in Bengal might be hampered by that, but not to any great extent, because the actual consumption of it for paper is not essential. We should stop it to-morrow if it did not pay. Rags and waste paper have deteriorated.

President.—For what kind of paper do you use rags and waste paper?

Sir W. Carey.—Rags are used in the making of blotting paper and waste paper in many cheap papers.

President.—If all the supplies are already taken up, it means that there is a difficulty.

Sir W. Carey.—Yes, on the eastern side of India. As I said, there is a difference of opinion.

President.—In the figures that you have given in answer to Question 19, you have got one lakh "salami." I am not quite sure which Circle that relates to.

Sir W. Carey.—The Western Circle.

President.—The first two entries relate to the Western Circle?

Sir W. Carey.—Yes.

President.—I am not sure what this payment is?

Sir W. Carey.—This figure is the payment for the year.

President.—I always understood "salami" in the sense of a lump sum payment and I have never heard it used in this way for a recurring payment. How does it differ from royalty?

Sir W. Carey.—It was an arrangement made for transfer of a lease to the mills which did not previously belong to us.

President.—All I want to find out is what it means.

Sir W. Carey.—Rent, if you like.

President.—I take it that the Eastern Circle includes Sahebgunge?

Sir W. Carey.—The Eastern Circle is in the United Provinces.

President.—I asked you because there was no entry as to the amount paid.

Sir W. Carey.—They are paid by the contractor. We are working that whole area by a contractor.

President.—In answer to Question 20, you say that in 1913-14 you purchased your total requirements from sundry contractors at Rs. 1-12 a cwt delivered mills. Is that Rs. 35 a ton?

Sir W. Carey.—Yes.

President.—These figures in Question 20 are a bit confusing. What we want to get at is the total cost delivered at the mill for the two years and for each area separately.

Sir W. Carey.—Each area separately, you will have it.*

President.—I am not sure how many items we are to total. You have given us details but you have not added the total. Also you have given us the average freight from the field to the despatching station and the average from the despatching station to the mill. That must vary from circle to circle.

Sir W. Carey.—The average over-all are these three figures added together for the last season's working, not the current year. It is Rs. 60 per ton.

Mr. Ginwala.—What about the average royalty?

Sir W. Carey.—That is all included.

President.—But in one case you have given the royalty at Rs. 63 per ton.

Sir W. Carey.—But that particular figure is for very short working, only a quarter of full working.

Mr. Ginwala.—You have given these three fields. How much do you get from each field and what is the freight from each?

Sir W. Carey.—At present from the Western Circle the freight is about 9 annas per maund. It comes from different despatching stations, but it comes to about 9 annas per maund.

Mr. Ginwala.—What is really required is: you have got (a), (b), (c) and (d) average. What I want is the same thing for each area and the total. You have given the average for all the areas; what is required is the same information for each area. Of course, you have given the quantities.

Sir W. Carey.—We have the figures but not with us. We will have them sent to you.*

President.—Your total cost is Rs. 60. Does that include royalty?

Sir W. Carey.—The average royalty of Rs. 19 is included in this figure. Rs. 60 is the actual cost for last year—1922-23—and it is the average for all the three fields together. In both Nepal and Western Circle, in one case it was quarter of the full working of the field and in the other half the full working owing to renovations all the time at the mills. The total quantities we expect to get would be 30,000 tons of which, say, 8,000 will be from Sahebgunge, and from the other two fields an equal quantity more or less of the balance.

Mr. Ginwala.—It would be better if you would send us corrected figures.

President.—You say in answer to Question 21 that it would assist you if the Forest Department could give a longer time. The reason why they have imposed this restriction is not given.

Sir W. Carey.—I think it is simply a forest rule.

President.—But there must be some reason for it.

Sir W. Carey.—We are simply told that our cutting must be stopped on a certain day.

President.—It might be that if you had a number of coolies in the forests during the dry season of the year, there would be a danger of fire. That is what I imagine is probably underlying it. I cannot imagine any other reason. Assuming that the Forest Department have good reasons for their rule, it amounts to this that it is one of the disadvantages that you have to meet in making paper from grass.

Sir W. Carey.—Yes.

President.—Then again you say later on "if the practice of annual burning of grass clumps could be permitted it would undoubtedly help to improve yield and keep down weeds among the grass." The reason why the forest people object to that must be an apprehension of damage to the forest from fire. Do you know of any other reason?

Sir W. Carey.—Probably the reason is as you suggest.

President.—In the first sentence of the answer to Question 22 you say "Taken as a whole, when care and attention is given to the grass fields, there should be no marked deterioration." But has there been deterioration in the past? All you say is that there should be no marked deterioration.

Sir W. Carey.—In our own fields I should say "No."

President.—I rather gathered that there had been, because you could not give them proper care and attention.

Sir W. Carey.—All it means is that we can do better if we are allowed to burn. If we are not allowed to burn we can still do well.

President.—What is running in my mind is that it is a very guarded answer that you have given. You obviously refrained from committing yourself as to what actually had happened, and confined yourself to what ought to happen.

Sir W. Carey.—There was difficulty at times with regard to what was one of our chief fields at Sahebgunge. With regard to this we approached the Bihar and Orissa Government with the contractors and we got that lease. Now they are taking the necessary care of the fields. It is the same thing as any other agricultural produce and it has got to be taken care of. I think this is really the answer to your question.

President.—The question is “Have you found the supply of raw material constant in respect of quality or have you noticed or do you expect any deterioration?”

Sir W. Carey.—That was the only occasion when we noticed it.

President.—In answer to Question 23 you say “The mills are now drawing *sabai* grass from larger areas than before the war owing to the following reasons :—

- (a) The increase which took place during the war, and which has still been maintained to some extent since, in the price of imported pulp;
- (b) The consequent competition among the mills for the supply of *sabai* and other materials.

Have you in the last two years been using less wood pulp and more *sabai* grass than you were before the war?

Sir W. Carey.—In proportion to what the mills have done, we are.

President.—Would it be possible to give your figures for one year before the war, say 1913-14, and also for 1922-23?

Sir W. Carey.—

1914, we used 17,283 tons grass.

1923-24, we used 21,400 tons grass.

1914, we used 6,952 tons of wood pulp.

1923-24, we used 5,964 tons of wood pulp.

Rags and waste paper we used 2,000 tons less in 1923-24 than in 1914. As a matter of fact our consumption of wood pulp is going down again.

President.—I do not take this answer as referring to what actually is going on at the present moment, but to what actually went on in the past.

Sir W. Carey.—Yes.

President.—Can you give the pre-war price of wood pulp?

Sir W. Carey.—Rs. 160 a ton delivered at the mills at Calcutta.

President.—I take it it is sulphite pulp?

Sir W. Carey.—Easy bleaching sulphite pulp.

President.—Can you give the present price to compare with this figure of Rs. 160?

Sir W. Carey.—Rs. 240 under the last invoice.

President.—At what rate of exchange?

Sir W. Carey.—We may remit it at 1s. 4d. or over.

President.—In the same answer referring to the Western Circle areas you say “that these have proved expensive holding up to date, but with full working this next year, we hope to get grass at economic rates. These areas will not be worked at their cheapest until a pulp mill is erected near the grass fields . . .” Have you actually worked out the figures for this contemplated mill?

Sir W. Carey.—Only as an experiment. This is simply a report on a scheme.

President.—As regards the cost of manufacture, on the one hand, you are going to get your raw materials much cheaper, but on the other hand your coal will be more expensive.

Sir W. Carey.—We reckoned the coal for the purpose of this calculation at something like Rs. 20 a ton at the site, allowing for Rs. 10 to Rs. 12 railway freight.

President.—How does that compare with the cost of a ton of coal at Titaghur?

Sir W. Carey.—It is more than double.

President.—At 5½ tons of coal per ton of paper it means a difference of Rs. 55?

Sir W. Carey.—That is only pulp. We should be making unbleached pulp and should be using coal solely for boiling and drying. The mill will be run by water power. That was the scheme.

President.—In that case, of course, the cost of coal will not be so predominant a factor.

Sir W. Carey.—It would be 2 to 2½ tons to a ton of pulp.

Mr. Ginwala.—In addition to the electric power?

Sir W. Carey.—Yes.

President.—It seems to me a very high figure.

Sir W. Carey.—We may leave it at 2.

President.—If it is correct, it does not brighten the prospect of making paper from bamboo pulp in various parts of India.

Sir W. Carey.—I do not think it is such a very great cost. Here also we have considered the question of local fuel. If you are near your forests naturally it is a question of cost on each side.

President.—You may find that you have got to bring wood for fuel from greater and greater distances, as you burn up the wood that is near the mill.

Sir W. Carey.—Firewood replaces itself fairly easily. For instance, in places like West Coast or Mysore you would not probably consume coal: you would probably consume local fuel.

Mr. Ginwala.—In Burma also to some extent.

Sir W. Carey.—To some extent where the price of coal is probably high.

President.—You say at the foot of page 6 (Question 23) “that if bamboo, or other primary raw material, came to be developed, the expansion of the trade would be able to go on, and would only be again limited by markets.” May I take it that means that, on the basis of grass only, no great expansion of the paper industry is possible, and that the prospect of any expansion is dependent on other kinds of primary raw materials?

Sir W. Carey.—I think we have dealt with that to some extent in answer to Question 16. Undoubtedly further supplies of *sabai* would be found. I will put it in this way. For a big expansion *sabai* would not be sufficient, but I do not think that *sabai* should be left out of account even then, because in any case very good paper can be made, as is done in Europe, with a mixture of imported pulp, or other pulp, and Esparto. In any case where it is available it is an auxiliary fibre to help others, but for any great expansion I cannot quite agree. You should look for other raw materials, although the *sabai* fields are not yet fully developed.

President.—50 per cent. of your output is white printing paper. What is the imported white printing paper that comes into the country chiefly made of?

Sir W. Carey.—Sulphite wood pulp.

President.—Does not that fact in itself rather suggest that, in the long run, grass cannot hold its own against wood? Of course, wood pulp is becoming more expensive but that is another matter. Is it not a relevant fact that wood pulp has ousted grass for paper manufacture in Europe?

Sir W. Carey.—There are still grass mills working, and it is the grass mills that are continuing to pay.

President.—It is used as a constituent of certain kinds of paper, is it not, along with other materials, and also for the manufacture of particular kinds of paper for some special reason?

Sir W. Carey.—I may say that in India also *sabai* grass paper has certain preference over other grades.

President.—I am quite prepared to believe that is true of certain kinds of paper, but take the case of white printing paper.

Sir W. Carey.—*Sabai* paper is preferred. Grass papers always have got a special value of their own because of bulking. Also, of course, they have their very great value in the life of the paper.

President.—The paper made of grass may be better. But when the question of price comes in, it may be found that wood pulp is good enough and is decidedly cheaper. I take it that it is for that reason its use has become universal in the West. What I am putting to you is really this. If paper made from grass in India can eventually hold its own against paper made from wood pulp, then it must be for some special reason. Why is it possible in India when it has not been found possible in Europe? That point has been in my mind for some time. Grass may be always used in India for certain kinds of paper and may hold its own to a limited extent, but can it maintain its position as the principal paper making material?

Sir W. Carey.—I quite agree. We look forward to expansion.

President.—But it is more than that. It may be driven out altogether, assuming that protection is not given.

Sir W. Carey.—I think if there appeared to be any probability of that danger we would adapt our plant to use bamboo.

President.—I am not alluding to the question of bamboo at present. You have suggested yourself that it is advisable that protection should be given not only to paper but also to pulp, the reason being that people might start paper mills and use mainly imported pulp. If that is a possibility, to that extent grass cannot hold its own.

Sir W. Carey.—We recognise we have got to go down cheaper, and we see our way to do it gradually by improving our methods and by still further improving our plant. I have a figure here for the month of June 1924. Our total cost of grass pulp only is Rs. 241 per ton for the month against Rs. 240 of imported wood pulp.

President.—In the statement you gave us I don't think there is any overhead in that. However we will come to that later on. In answer to Question 28 you say "we hold the opinion that grass paper is in some respects more suited to the present Indian market." I would like to know what was in your mind in giving that answer?

Sir W. Carey.—As I was saying, it is favoured by many buyers because of its bulk and its feel. They prefer grass paper as compared with wood pulp paper.

President.—Who are you thinking of?

Sir W. Carey.—The bazar people. In other words they are prepared sometimes to pay more for it than for wood pulp paper.

President.—What is the reason?

Sir W. Carey.—It is the quality of the paper and its bulk. It is better, lasting paper, but I think they very often prefer it because the dealer gets more bulk per ream and sells it accordingly.

President.—Are there any other points?

Sir W. Carey.—The chief thing is bulk and strength.

President.—In answer to Question 30 (c) you say "Accessibility depends almost entirely on the situation of the bamboo forests with reference to transport, especially by water. Unless mills can be placed in close proximity to bamboo forests the bulkiness of the raw material makes transport a very great consideration. Areas have, however, been prospected, from which it would seem possible to draw supplies in sufficient quantity to justify the erection of plant." What areas have you in mind in giving that answer?

Sir W. Carey.—Our own firm's experience is chiefly confined to one area in Burma (produces a map and shows the position of forests).

President.—Is that the one which you finally thought would be the best?

Sir W. Carey.—That is the one we were going to work.

President.—Can you tell us the conditions?

Sir W. Carey.—We have floating facilities from the forest to the site, that is to say, a river of sufficiently large size to take down the large quantities of bamboos that we require; proximity to a port where we should get such quantities of coal as are necessary at a fairly reasonable price. We also have facilities for fuel, I mean firewood; we are also at a place where we can get imported labour. These are some of the main considerations.

President.—Where would your pulp mill have been erected had you gone on with the scheme?

Sir W. Carey.—On the banks of the Pegu river above the Rangoon port.

President.—Would you have manufactured pulp there?

Sir W. Carey.—Yes.

President.—Did you intend to utilize the greater portion of it in your own mills?

Sir W. Carey.—At that particular time we had no intention of doing anything more than bringing it to India for our own consumption and turning it into paper, and we could then sell it in competition with imported pulp.

President.—But not at present?

Sir W. Carey.—It works out more or less at very much the same price to-day as imported pulp.

Mr. Ginwala.—That is to say, under present conditions?

Sir W. Carey.—Yes.

Mr. Ginwala.—And with your little or no experience of the business, I mean of bamboo?

Sir W. Carey.—We have our records and we have a certain number of men who are still in touch with us who have made experiments and enquiries. We have enough data to go upon, and we reckon that we should be able to make pulp and sell at somewhere about to-day's imported price, provided we could float a company to do that, that is provided the industrial market showed sufficient interest either from protection or by the natural profit obtainable on the rising price of imported pulp to make it worth while.

President.—Have you got any calculations which you could place at the disposal of the Board. It is a matter of great importance.

Sir W. Carey.—Of course, as I say, they are but calculations, but still they are based upon the experience which we have in some of our records of our people who have made experiments and enquiries.

Mr. Ginwala.—For what years are these?

Sir W. Carey.—Practically in the past few months.

President.—Can you let us have it in the form of a note?

Sir W. Carey.—Yes.*

President.—The only other item I want to know about is the capital expenditure involved in establishing the works.

Sir W. Carey.—I don't suppose you can put up a mill under something like Rs. 45 to Rs. 55 lakhs. It depends on what your process is or the size of your mill.

Mr. Ginwala.—Say 10,000 tons.

Sir W. Carey.—Yes.

President.—You have got to get a return on that?

Sir W. Carey.—We are calculating 10 per cent. dividend on a certain basis of capitalization.

Mr. Ginwala.—Does that include the chemical plant?

Sir W. Carey.—There again is the question of your process. We were, of course, proposing to work on the soda process, with imported soda.

Mr. Ginwala.—The India Paper Pulp people are not working on that. They have not told us what it really is; they called it sulphite. Are you going to work the sulphite process?

Sir W. Carey.—No, we are believers in the soda process.

President.—Is there anybody else who is actually manufacturing it on a commercial scale? You have made experiments?

Sir W. Carey.—More than that: we have made many hundreds of tons of paper out of bamboo pulp by the soda process, before we started to talk about our mill at all. We had the same thing done by people in Scotland who had a considerable number of tons of bamboo in different forms and different qualities and had them manufactured by the sulphite and the soda processes, mostly by the soda process. I saw this particular process working in Edinburgh. Of course there is the usual difference of opinion in a technical matter of this kind—one man favours one process and another the other—but I don't think there is very great difficulty in working either on the best advice possible.

President.—But there is the question of cost?

Sir W. Carey.—The cost would be very much the same. Your cost would be affected by the type of the plant you put up, but I should say that the soda plant would be cheaper.

President.—As to the difference in the process, I think we are interested in it. Quite clearly both must be tried.

Sir W. Carey.—I think you might say that both have been brought to a practical point.

Mr. Ginwala.—Did Mr. Raitt change his opinion about the soda process?

Sir W. Carey.—I don't know.

President.—If you are to develop an export trade in bamboo pulp you must be able to get your price to something lower than the price at which the imported pulp comes in.

Sir W. Carey.—I think our calculations are based on that; I think they are pretty safe calculations.

President.—Then in answer to Question 31 you say "Several other grasses have been tested and examined over the past 20 years in comparison with *sabai*. None of them, however, gave a sufficient yield to make them attractive . . ." I take it this implies that paper made from these grasses would be more expensive than paper made from *sabai*?

Sir W. Carey.—May I say less attractive in comparison to *sabai*.

President.—It depends on what kind of paper you are making.

Sir W. Carey.—I would not at the same time go so far as to say that you could not put down a mill in the centre of some of the river grasses where you could manufacture pulp at an equally low cost in spite of the low yield. If you put your mill on the spot where the grass is in such tremendous profusion, you might be able to manufacture pulp to be shipped to local mills.

President.—Where are these river grasses to be found?

Sir W. Carey.—Considerable quantities on the Brahmaputra and even nearer to Calcutta, and, of course, they renew themselves every year so that they will never be out of supply. The possibilities of this grass had been discussed, and but for the failure of interest in the industry since 1918, a mill would have been erected by another firm to work this particular grass into pulp, and we should have had some practical experience. Many of these grasses yield as much as 22 or 23 per cent. which might make it quite a feasible proposition under these conditions.

Mr. Ginwala.—That is a very low yield.

Sir W. Carey.—Yes.

President.—In answer to Question 34 you say "We import no other primary raw materials but wood pulp, and this is chiefly for production of special kinds of paper . . ." Which are the kinds of paper for which it comes in?

Mr. Bellany.—Cream laid and Banks.

President.—That is only a small proportion of your output? The other part of your statement suggests that it is very largely a question of the relative cost of wood pulp and grass pulp, also the wood pulp might be useful as a stand by in case anything went wrong with your pulp plant.

Sir W. Carey.—That has been so during the war on more than one occasion. But I think we are sufficiently assured of our grass and I think we will get it at a figure. . .

President.—I was not thinking of grass as a reserve. What I suggest is that there might be a break down in your machinery for making pulp.

Sir W. Carey.—I think that is very unlikely.

President.—It was given to us by another firm as a reason for importing wood pulp, and I am only putting it to you.

Sir W. Carey.—That might be a matter for consideration.

President.—Am I to understand that it is only for these two kinds of paper that wood pulp is necessary?

Sir W. Carey.—Wood pulp is of great importance; even if we could get bamboo pulp we should still use it.

President.—We are not getting any further. Why do you want to supplement your grass pulp with wood pulp?

Sir W. Carey.—For pushing production. Sometimes wood is necessary for its softening quality in certain grades. You have got what we call a furnish in paper just as you have got a patch in a jute mill.

President.—In answer to Question 35 you say "We are now on the point of receiving concessions from the railways for rail freights on grass." Can you tell us what it amounts to?

Sir W. Carey.—In the case of these railways that have given the concession it amounts to two annas a maund at present, but there are other railways which have not yet given any reduction. We hope they will also come into line.

President.—By how much will these freights you have given us in answer to Question 20—Rs. 13-8 on the average—come down?

Sir W. Carey.—Those were the old freights. It will come down by Rs. 3-8.

President.—That makes a considerable difference?

Sir W. Carey.—Yes.

Mr. Ginwala.—That is about a quarter?

Sir W. Carey.—Yes; from 11 annas to 9 annas and in another case from 9 annas to 7 annas. I may say that this was a suggestion put forward by the Indian Industrial Commission in 1916 when we then applied for assistance.

Mr. Ginwala.—Is this concession on grass only?

Sir W. Carey.—Yes. We applied for a reduction on coal, but we have not got it yet.

Mr. Ginwala.—In answer to Question 13 you say "Owing to the competition of imported papers we are only now consuming at the rate of 20,000 tons."

Sir W. Carey.—Our mill production has gone down to 1,250 tons per month for the two mills together. We can produce 1,500 to 1,600 tons per month.

Mr. Ginwala.—But I do not understand that. What has that got to do with the reduction in your production?

Sir W. Carey.—The imported papers competition is so keen that we cannot sell more than 1,250 tons a month of our paper whereas we are prepared to sell 1,600 tons.

Mr. Ginwala.—That is to say, you are prepared to lose on 1,250 but not on 1,500 a month, that is what it comes to?

Sir W. Carey.—It is no use manufacturing for stock; we have gone into stock as far as we can carry and further, and now we have to reduce our output.

Mr. Ginwala.—I see. Then I find from the proportion that you have given that you have to use $1\frac{1}{2}$ tons of wood pulp for every ton of finished paper.

Sir W. Carey.—Yes.

Mr. Ginwala.—Is that the average wastage? Isn't it a little high?

Sir W. Carey.—I think it should be $1\frac{1}{2}$ tons: that is the actual result of our experience.

Mr. Ginwala.—That may be, but I want to know whether something is missed out; where does the wastage occur; is it during the bleaching process or during the paper making process?

Mr. Bellamy.—15 per cent. in bleaching and 10 per cent. in the paper making process.

Mr. Ginwala.—I have not got the figures here, but it does seem to me as though it is a good deal more than it need be. I don't see why the wastage is more. You put so much of chemicals and other things which add to the quantity, and my recollection is that, taking the additions into account, there is a very slight wastage in the process. You have got the same thing in your unbleached pulp. You use $26\frac{2}{3}$ cwt; that is about the same proportion—a third?

Mr. Ginwala.—Yes.

Sir W. Carey.—These are the calculations which we work on.

Mr. Ginwala.—I don't dispute that at all. I am suggesting that it may be much lower. I think from the evidence that was placed before us by the India Paper Pulp Company that they use only one ton of unbleached pulp to one ton of paper. The wastage may be made good by chemicals.

Sir W. Carey.—We don't calculate in that way. It is only a matter of method.

Mr. Ginwala.—It is not a calculation at all; it is a result.

Sir W. Carey.—If we were to add the other figures, we could also show the result in the same way.

Mr. Ginwala.—They say that they use only one ton of unbleached pulp to one ton of paper.

Sir W. Carey.—That is impossible in any country in the world.

Mr. Ginwala.—Why do you say so?

Sir W. Carey.—The very best English, American or German practice does not show that.

Mr. Ginwala.—I am sure that they don't lose $33\frac{1}{3}$ per cent.

Sir W. Carey.—25 per cent. is the most that we have calculated here.

President.—Could you refer us to any authoritative book on the subject?

Sir W. Carey.—These are what we consider to be our actual working figures. If we add the figures for rosin, size and so forth, we should get very different figures too. We can get you those figures.*

President.—You make or buy a certain amount of pulp in a year out of which you produce a certain quantity of paper. If in fact the chemicals used actually increase the weight of the pulp, you could make more paper out of the same pulp. Do you mean to say that it is not possible?

Sir W. Carey.—It is not pulp.

President.—You have got in the end 1,000 tons of paper out of 1,000 tons of pulp. Admittedly some of the pulp has gone to waste.

Mr. Ginwala.—I can understand that, in the case of the imported wood pulp you use, it may be that it gets dried. Supposing you get 100 tons, you go by the quantity. That I can understand, but in the case of your own pulp, I cannot understand it.

Sir W. Carey.—10 per cent. moisture is allowed anyhow.

Mr. Ginwala.—It is wet pulp that you bleach and make paper out of. Why should there be so much wastage?

Sir W. Carey.—It is a question of method. Different mills have different calculations.

President.—What does your method mean? Does that mean that if you use 1,000 tons of pulp, which you may buy or manufacture, you only get 750 tons of paper in the end?

Sir W. Carey.—Yes, if you only take the fibre from the pulp. If you add to that other things, you get your 1,000 tons.

President.—What you mean is this: having bought or made 1,000 tons of pulp, you will have at the end 1,000 tons of paper but there will be only 750 tons of fibre incorporated in it.

Sir W. Carey.—The rest is chemicals, clay, etc.

President.—What you lose in pulp is replaced by the chemicals you put in?

Sir W. Carey.—It must be, because you have got to get 1,000 tons of paper.

President.—There is no reason why the weight of the chemicals should be exactly equal to the weight of the pulp you lose. There is no reason why that should be so. It does not necessarily follow.

Sir W. Carey.—They don't actually agree. Every process in the paper manufacture entails some loss or waste.

Mr. Ginwala.—You are losing nearly 50 per cent. You lose one-third of the pulp and you use chemicals, viz., rosin, clay and bleaching powder. That represents about 25 per cent. of the paper, does it not?

Sir W. Carey.—Yes, on these figures.

Mr. Ginwala.—No, on your figures. That you lose because you get only one ton of paper. You lose $\frac{1}{3}$ rd of a ton of pulp and a quarter of a ton of rosin, sizing and loading. That means you lose nearly 50 per cent.

Mr. Wood.—Wood pulp gives you 75 per cent. of the original weight put in, sizing 5 per cent. goes from the paper, and waste paper which is continually going round 5 per cent.

President.—Part of the waste paper is continually being recovered?

Mr. Wood.—Yes.

Mr. Ginwala.—Let us get it properly. Take your chemicals. You have given us the proportions. I think that there is a good deal more that has to be accounted for. How much per cent. of bleaching powder do you use?

Sir W. Carey.—12 to 13 per cent.

*Not submitted.

Mr. Ginwala.—What percentage of other principal chemicals do you use in loading?

Sir W. Carey.—6 to 8 per cent. (that is rosin and alum).

Mr. Ginwala.—And China clay?

Sir W. Carey.—10 per cent.

Mr. Ginwala.—How much do you put in?

Sir W. Carey.—We have to put in 16 per cent. to get 10 per cent.

Mr. Ginwala.—These are the three principal chemicals. That makes 37 per cent.

Sir W. Carey.—Yes.

Mr. Ginwala.—How much do you recover in bleach?

Sir W. Carey.—There is no retention in that.

Mr. Ginwala.—The wastage comes to 62 per cent.—37 per cent. in chemicals and 25 per cent. in pulp. Now I want to know what happens to this 62 per cent.

President.—Suppose you start with $1\frac{1}{2}$ tons of pulp and you add chemicals. What is your figure for the weight of chemicals you add?

Sir W. Carey.—37 per cent.

President.—Do you accept that?

Sir W. Carey.—Yes, including the bleach which yields no weight but only gives colour.

President.—If you add these chemicals, what do you finish with?

Sir W. Carey.—One ton of paper.

President.—Let us start again. You start with $1\frac{1}{2}$ tons of pulp and then you add 37 per cent. of chemicals. What do you finish with?

Sir W. Carey.—We finish with 37 per cent. of paper more. I was talking of fibre to fibre, but we make it up by the mixture of chemicals.

Mr. Ginwala.—It has given me a lot of trouble to understand it like that. I doubt whether I understand it even now.

Sir W. Carey.—You will get it absolutely clear in 10 minutes' talk with an expert in Calcutta.

President.—After all, what we are interested in is not fibre to fibre but is this. You turn out a certain quantity of paper at the end of the year. We are not concerned with what is in that paper. We are concerned with how much pulp you have to use in order to get that quantity. That is what we are fundamentally interested in.

Sir W. Carey.—We shall recast the answer in that way.*

Mr. Ginwala.—Your reply to question 16 does not answer it in the sense in which we put it. What you say is that you have got 10/12 lakhs of maunds of grass in your fields. That is not much more than your requirements at present.

Sir W. Carey.—That is so in our own fields. We have quite enough for our requirements with a considerable margin.

Mr. Ginwala.—It is not very considerable because you require 11 lakhs.

Sir W. Carey.—Only 8 lakhs maunds of grass we reckon as our present consumption.

Mr. Ginwala.—That is on the present output of 18,000 tons?

Sir W. Carey.—That is our full output which is 1,500 to 1,600 tons a month.

Mr. Ginwala.—You say in your answer to Question 17, you have only a supply of 11 lakhs of maunds.

Sir W. Carey.—On a full output of 18,000 tons of paper in a year, we should use only 8 lakhs maunds of grass with our present process.

Mr. Ginwala.—That is if you continue to use the imported pulp?

*Not submitted.

Sir W. Carey.—With 8½ lakhs maunds of grass, we could reduce our imported pulp to some extent.

Mr. Ginwala.—Supposing you use no imported pulp, that would hardly be enough.

Sir W. Carey.—I don't think that it is a practical proposition to make paper with only grass because wood pulp as we said this morning is required for certain things. We have 25 to 35 per cent. margin of our own requirements in our own fields.

Mr. Ginwala.—You qualify that statement by saying 'provided it paid to work out the additional quantity which at present it does not at the price.' We can get anything in the world. We did not put that in that sense at all.

Sir W. Carey.—What you want to know is what is the approximate estimate of the total quantity available?

Mr. Ginwala.—That is to say, commercially available.

Sir W. Carey.—With this additional protection which we are asking for it might be quite understandable that we should put up a mill to work the fields in the Western Circle. It would be possible to make it into pulp and then turn the pulp into paper, if the grass is manufactured into pulp on the spot. With regard to the Sahebganj and Nepal fields, at the present selling price, we should not increase our output very much. With regard to the rest of India we simply state here that further supplies undoubtedly could be found. One receives offers of grass very often. There is another proposal for a pulp mill in the Punjab to-day. The promoter states that he has sufficient grass to supply him. I have of course not been able to check it. We ourselves are not interested in it. Undoubtedly there are further fields in the Central Provinces and also down towards Madras. I am only speaking now with reference to *sabai*. I don't think that *sabai* has been prospected for the whole of India. We have heard of it in the West Coast as well.

Mr. Ginwala.—Not much there.

Sir W. Carey.—Probably not. But there is a margin which I say has not been looked for. I think that we can reckon that there would be another 10—12 lakhs maunds available in India. It would need prospecting of course. In a huge country like India with varying conditions, it is impossible to arrive at an estimate. The Forest Department would probably be able to help us.

May I read to you what our grass contractor says on the* subject:—

"We give below the quantities which we have extracted from the following areas in the past:—

	Maunds.
(1) Sahebgunge	450,000
(2) Nepal	460,000
(3) Eastern Circle of Gonda and Bahraich	80,000
(4) Ramnagar and Bettiah Forest	70,000
(5) Rewah	35,000
(6) Hazaribagh	15,000

Of the above forests, excepting Sahebgunge and Nepal, the other areas had not been worked to their full capacity as your requirements were fully met by us on the existing scale of working. There is no doubt that considerably greater yield can be obtained from these areas if desired.

We also know of several other forests, *e.g.*, Sambalpur, Cuttack, Raigarh, Pendra Road, Tori, Dudi, Seoni, and Chhindwara whence *sabai* grass on a commercial scale can be secured.

We can assure you that there is no dearth of *sabai* grass and you can readily obtain any quantity of this material suitable for your purpose.

The above has been written on the basis of our long experience in the *sabai* grass business extending since 1888."

Mr. Ginwala.—As regards your reply to question 19: you pay the largest amount of royalty as far as the Western Circle is concerned and it is furthest from your mill. What was the idea of having got that? Is it more recent than that of Nepal so far as you are concerned?

Sir W. Carey.—More or less about the same time.

Mr. Ginwala.—Did you start working at about the same time?

Sir W. Carey.—We did not ourselves. It was previously worked by other people.

Mr. Ginwala.—You pay Rs. 1,77,500 for about 4 lakhs of maunds, and the distance is nearly twice as much.

Sir W. Carey.—Our answer to No. 23 (a) (c) explains that.

Mr. Ginwala.—You say that this field was acquired at about the same time as Nepal. At that time, you must have arranged to pay royalties.

Sir W. Carey.—It was a policy of assuring raw materials for our mills. At that time owing to competition the price of imported pulp went up during the war and there was great competition for the *sabai* grass.

Mr. Ginwala.—When did you acquire the Western Circle?

Sir W. Carey.—The actual transfer was made in 1920.

Mr. Ginwala.—That is very recent.

Sir W. Carey.—Comparatively, yes. The price of wood pulp at that time was £60.

Mr. Ginwala.—We may take it at about Rs. 8-8-0 a ton and then your freight must be really double.

Sir W. Carey.—Our freight is 9 annas a maund.

Mr. Ginwala.—In the Western Circle?

Sir W. Carey.—Yes.

President.—That is the reduced freight you get under the recent concession?

Sir W. Carey.—Yes.

Mr. Ginwala.—What is the freight from Nepal?

Sir W. Carey.—7 annas.

Mr. Ginwala.—But the distance is 400 miles more: are you getting any special rate for longer distances?

Sir W. Carey.—It is because railways like business.

Mr. Ginwala.—Is it the same railway?

Sir W. Carey.—It is partly the East Indian Railway, partly the North Western, partly the Oudh and Rohilkhand Railway, partly the Bengal and North Western Railway, and partly the Eastern Bengal Railway. As a matter of fact, taking the whole thing, I suppose they find it on the average advantageous.

Mr. Ginwala.—In answer to Question 20, you have given the cost at Rs. 60 delivered at the mill for a ton of grass.

Sir W. Carey.—That was so in 1922-23.

Mr. Ginwala.—Now?

Sir W. Carey.—In any year that we were able to work in full it should be reduced by about Rs. 6 or Rs. 7 at least. The other charges will be the same.

Mr. Ginwala.—May we take it at Rs. 55?

Sir W. Carey.—You may put it at Rs. 53 on a full year's working.

Mr. Ginwala.—I want to make a comparison between that an *esparto*, just to see how you are situated with regard to manufacture. I think the yield from *esparto* may be taken at 45 per cent.

Sir W. Carey.—It is 35 per cent.

Mr. Ginwala.—If you take it at 35 per cent. it becomes more unfavourable to you. I thought 40 to 45 would be more reasonable.

Sir W. Carey.—Yes, then we will take it at 40 to 45 per cent.

Mr. Ginwala.—Your yield may be taken at 35 per cent.†

Sir W. Carey.—Yes.

Mr. Ginwala.—You see in Great Britain they import *esparto*. The c.i.f. price in the United Kingdom is £6-10 which is about Rs. 95.

Sir W. Carey.—Yes.

Mr. Ginwala.—Against your Rs. 53. What I am trying to point out is that you are more favourably situated with regard to your raw materials, even though the cost is high. In Great Britain they manufacture pulp out of *esparto* and even then they can manufacture paper and undersell you.

Sir W. Carey.—It is difficult to ascertain whether English mills sell at the price at which they manufacture or whether they sell their surplus only at cost rates.

President.—Is the bulk of the paper imported from England made from *esparto* grass?

Sir W. Carey.—*Esparto* mills do not make paper of *esparto* grass only. They probably use a much larger proportion of wood pulp than *esparto*.

Mr. Ginwala.—You could do the same. We are trying to make a comparison and to see in what respects you suffer in the process of manufacture. Why are you unable to manufacture your pulp at the same rate as the British manufacturers from *esparto*, their materials being more expensive than yours.

Sir W. Carey.—I am unable to say personally. We shall get the figures as to the probable proportion of actual *esparto* grass and wood pulp that is put in the so called *esparto* papers. In any case *esparto* papers are not the papers that are competing with us here. They are mostly consumed on the Continent and in England. We are competing here actually with what I might call wood pulp paper only. There is a certain quantity of *esparto* paper coming in but it is only very small.

Mr. Ginwala.—What I understand the position to be is this. The kind of paper that should ordinarily compete against you is paper made out of grass, but as it happens the wood pulp paper is cheaper, and therefore it is really used as a substitute. But the paper that is really supposed to compete against you is *esparto* paper.

Sir W. Carey.—But that does not come. In real practice the actual paper that we have to compete against is wood pulp paper.

Mr. Ginwala.—Are you sure upon the figures you have got?

Sir W. Carey.—We can establish that.

Mr. Ginwala.—We should like you to establish that.

Sir W. Carey.—We will give you the figures.*

Mr. Bellamy.—Messrs. Alexander Pirie & Co. specialise in *esparto* writing papers, but very little of their paper is to be found on the market to-day purely on account of prices. They ask a price round about 4½ as. a lb. which the Indian importers are not prepared to pay in view of the fact that they are able to buy a similar class of paper made out of wood pulp at six pices per lb. cheaper.

President.—That corresponds with the impression in my mind.

Mr. Bellamy.—Yes.

Mr. Ginwala.—So far as Great Britain is concerned, they manufacture paper from imported wood pulp?

Sir W. Carey.—Yes.

Mr. Ginwala.—That also must be a little more expensive for them.

Sir W. Carey.—No. They have practically no chemicals. They have half the stuff in the mill, half the plant, and half the capital cost because all they have to do is to break up the pulp and make it into paper. No soda and no boiling.

Mr. Ginwala.—That could be done in this country.

*Statement VII, Enclosure II.

Sir W. Carey.—If we could get wood pulp at pre-war price compared with to-day's grass price or anything like it, of course we should use it.

President.—Mr. Ginwala's point is different. After all, in what respect is the Indian manufacturer worse off than the British manufacturer in making paper out of imported wood pulp to-day? He will probably have to pay more for imported pulp, but he has not to pay the freight which the foreign manufacturer has to pay on conveying his paper to the Indian market.

Sir W. Carey.—£14-15 is the price including freight (c.i.f.).

President.—The price you gave us was £14-6.

Sir W. Carey.—You mean to say that, if we were to use only imported pulp, we ought to make paper at the same price as the British manufacturer?

President.—Yes.

Sir W. Carey.—But we have got to pay 10 per cent. freight on the pulp which is wasted on account of moisture.

President.—In this respect you and the British manufacturer are in exactly the same position.

Sir W. Carey.—Works costs in other directions are different.

Mr. Ginwala.—Compared to your figures, that does not include any overhead charges; your pulp is more expensive to you than the imported pulp.

President.—There is this to be said that it is not the British manufacturer that is the most formidable competitor, but the Continental manufacturer.

Sir W. Carey.—It is the Norwegian, Swedish and German mills. What is being done as a matter of fact is that very largely—we are able to prove this to some extent—Continental paper is being sent out through England and is being imported here by the British importer.

Mr. Ginwala.—Anyhow it struck me that you are not at any particular disadvantage in respect of raw materials, or imported pulp.

Sir W. Carey.—We would use imported pulp if we did not pay any extra for it.

President.—But the British manufacturer has to pay freight to India on the finished paper.

Sir W. Carey.—But then it is doubtful whether he sells at the price at which he makes. In fact it is more than that. The British Paper Trade Review says "It is impossible to produce white printings from sulphite wood pulp at less than 3½d. We know from prices at which they are selling in India they must be selling under cost." But if there is any other information you want on this point we can give it to you.

Mr. Ginwala.—Let us go to 23 (c) where you are talking of the establishment of a paper mill. What I would like you to do is to work out a sort of proposition statement to show how it is going to work and whether you would be able to produce your pulp and paper cheaper eventually.

Sir W. Carey.—By working grass ourselves?

Mr. Ginwala.—Yes. You could say, for instance, that for coal you may have to pay Rs. 20 more on freight but on the grass you may save so much.

Sir W. Carey.—I do not quite follow.

President.—In commercially exploiting your Western Circle areas you have proposed the erection of a pulp mill near the fields. Have you worked the figures out in detail showing that in certain respects your costs would be higher, and in other respects lower?

Mr. Ginwala.—It must be reasonably accurate. You have got all your raw materials in one area.

Sir W. Carey.—Supposing we put up a paper mill we have preliminary figures only.

Mr. Ginwala.—You have got these three fields and you will say that you are going to put up a mill at a place so many miles distant.

Sir W. Carey.—This will be in the Western Circle only where we have got 12 lakhs of maunds. We can make so much. The amount of grass required to produce 10,000 tons of pulps is 24,000 tons. For the purpose of this the following figures have been taken :—

	Tons.
Saharanpur Division	13,000
Lansdowne Division	5,500
Kalagarh Division	3,500
Ramnagar Division	2,000
TOTAL	24,000

These figures by no means represent all that can be obtained. The costs are given in the report and we reckon the average cost at Rs. 24 a ton for 24,000 tons delivered at the mill site. After that it is a question of technical working which is done partly by electric power.

Mr. Ginwala.—Will you work out a proposition statement and let us have it?

Sir W. Carey.—Yes.*

Mr. Ginwala.—In answer to question 26, you have not categorically answered the statement made by Mr. Pearson. You have just walked round them. Take the statements one by one because you see this is an opinion which has always been given against the mills.

Sir W. Carey.—I am not sure what the date of this opinion was.

Mr. Ginwala.—It was made at the time you gave evidence in 1922 before the Fiscal Commission.

Sir W. Carey.—A great deal has been left out which he did not know about the supplies.

Mr. Ginwala.—I do not follow your answer. Our idea was that you should categorically answer these statements which are made against the industry. An explanation is not much use for the purpose. The first statement is "They have hardly got sufficient grass to work up to their full capacity." What do you say to that?

Sir W. Carey.—At the present moment I say that is not the case.

Mr. Ginwala.—Have you really got over the difficulty?

Sir W. Carey.—Absolutely. We expect in the coming season to get 9 lakhs of maunds from our own fields by our own "bandobust"—or by contractors—without any difficulty.

Mr. Ginwala.—Without increasing the cost?

Sir W. Carey.—We expect to reduce the cost as compared to the time when Mr. Pearson gave evidence, previous two years. That is one of the things to which we are looking to reduce our cost.

Mr. Ginwala.—The next statement is "If they want to expand, it might be done by importing sulphite spruce or by using other raw materials."

Sir W. Carey.—There is no need to do that at present.

Mr. Ginwala.—Then he says "Another point is that during the last ten or twelve years there has been intensive cropping and the grass has deteriorated considerably." That is a very important point.

Sir W. Carey.—There have been periods when fields in the contractors' hands have suffered, but that difficulty has been definitely seen and has been got over. There is no reason why *sabai* should deteriorate. I think we have said that.

Mr. Ginwala.—Then he says "It is therefore questionable whether the pulp industry which has been going on for 40 or 50 years could really continue, even if the paper making industry did not expand at all." You do not agree with that?

Sir W. Carey.—No. We look forward to see the use of present materials, nothing better offers or nothing cheaper, going on indefinitely.

Mr. Ginwala.—Supposing the cost of the raw materials did go up and bamboo came in, can you convert your plant?

Sir W. Carey.—Yes..

Mr. Ginwala.—Without much capital?

Sir W. Carey.—Without excessive capital expenditure. We are so advised.

Mr. Ginwala.—I think one company said that it can not be done without substantial alterations.

Sir W. Carey.—It means considerable alterations, but they are not very costly.

Mr. Ginwala.—Which portions of the machinery will have to be altered?

Sir W. Carey.—Preparing plant only. It will mean additions, not very large additions, not very heavy additions and alterations—which would be considerable but not necessarily very radical.

Mr. Ginwala.—Will the capital be forthcoming for the purpose?

Sir W. Carey.—Not under present conditions, not without some means of getting some money together. We have of course a plant which we could incorporate.

Mr. Ginwala.—With regard to bamboo I have got some questions to ask. You still mention this objection about the bamboo flowering. Surely it used to be an objection, but does it really hold good now?

Sir W. Carey.—I think the Forest Department should be the best guide. Our own feeling would be that in going into bamboo pulp we should never be held up by flowering sufficiently to make it impossible to work. It flowers, we understand in sections—never in whole big areas at the same time.

Mr. Ginwala.—Then it may be assumed that it need not be taken into account now?

Sir W. Carey.—I should think so.

Mr. Ginwala.—Do you accept the estimates that have been made by the experts, say, by Messrs. Raitt and Pearson, about the possibilities of bamboo, namely that there is sufficient bamboo in India to supply pulp to the whole world? What is the opinion of your own expert advisors? We are also going to see Mr. Raitt and Mr. Pearson, but how have you been advised about the possibilities of making pulp from bamboo?

Sir W. Carey.—From such enquiries as we have made there seems to be quite a number of areas and the supply of bamboo is, I think, established to be replaced in regular rotation, where it is cut on a big scale, every 3 or 5 years according to the quality of bamboo, and I don't see any great difficulty myself.

Mr. Ginwala.—Can it reasonably compete against chemical wood pulp at the present price?

Sir W. Carey.—The whole of the figures are very different from what they were in 1913-14, or even from the intermediate figures in 1917-18, but I think you may say that at the present figures of cost of plant, cost of labour, cost of extraction, cost of chemicals and so forth, there is no reason why bamboo pulp should not be manufactured in this country on a big scale to compete with European pulp.

Mr. Ginwala.—That is the point. Supposing India was exporting pulp, it would compete mainly, I take it, with wood pulp?

Sir W. Carey.—Yes.

Mr. Ginwala.—In that case the point is, will India be able to export to a place where, say, the Canadian, Norwegian or other pulp is exported, and will India be able to compete?

Sir W. Carey.—I think our answer to question 29 has to be taken into account there. It is a subject which I may say has interested us very much

indeed, namely the rate at which exhaustion of pulp forests in Canada and Europe is going on. It all depends upon that.

Mr. Ginwala.—Do not talk of exhaustion; if one is exhausted the other can charge anything it likes. We are talking of the immediate present. Assume that everything is normal.

Sir W. Carey.—We tried to get figures based upon our own experience.

Mr. Ginwala.—For bamboo?

Sir W. Carey.—Yes.

Mr. Ginwala.—You told us just now that you will land your pulp at Rs. 200 a ton.

Sir W. Carey.—That is from grass.

Mr. Ginwala.—That is unbleached?

Mr. Ginwala.—Have you not worked your Burma proposition?

Sir W. Carey.—That is entirely different.

Mr. Ginwala.—Can the Burma pulp compete?

Sir W. Carey.—Rs. 237-8-0 is the imported price to-day and if you take Burma pulp at Rs. 240, of course that includes very full depreciation and profit on the working and that sort of thing—

Mr. Ginwala.—If you have to export where are the other charges to come from?

Sir W. Carey.—As I say, that is just an estimate.

Mr. Ginwala.—We have got to consider what eventually are the possibilities of this industry.

Sir W. Carey.—What I meant to say is this, that there is no protection in this price of Rs. 237-8-0, as it is to-day. If you put 20 per cent. on, you will have to add Rs. 40 on it.

Mr. Ginwala.—We are not on that point now.

President.—Mr. Ginwala is thinking of the possibility of bamboo pulp competing with wood pulp in the world's market.

Sir W. Carey.—I may say that the present price of wood pulp is lower than it has been for some considerable time, and is not expected to remain where it is. In our own calculations in talking about the possibilities of a bamboo pulp mill in Burma we were informed at that time after very careful enquiries by the very best people, that we could get in touch with in Europe, that we could in future reckon on a minimum price for imported wood pulp of £17 a ton. That was the ruling price for wood pulp on an average after the war,—more or less a permanency as the lowest ruling price—and on that we proposed to work. Of course the present price is exceptional. As a matter of fact we had telegrams a week before we left Calcutta urging us to buy now, because the present slump was over and the prices looked like going up and staying up.

Mr. Ginwala.—At £17, and from that you have to take off for freight and other charges?

Sir W. Carey.—Yes, say 45 shillings.

Mr. Ginwala.—And another 10 shillings for other charges?

Sir W. Carey.—Yes.

Mr. Ginwala.—Is it f.o.b.?

Sir W. Carey.—£17 a ton c.i.f. Calcutta.

Mr. Ginwala.—You have got to take off £2 from that because freight from there is less?

Sir W. Carey.—Yes.

Mr. Ginwala.—That comes to £15.

President.—If the c.i.f. price is £17 out here, the f.o.b. in Europe will be £15. To sell bamboo pulp at the same price in Europe you have got to start with an f.o.b. price of £13 in Burma.

Sir W. Carey.—We get wood pulp here at the equivalent of the Home price.

President.—Pulp starts from somewhere else; its home is not in England.

Sir W. Carey.—Quite so; but then of course one need not necessarily look to the European markets. Pulp goes from Europe as far as Australia, China, Japan.

Mr. Ginwala.—Where will you export to? That is what we want to know.

Sir W. Carey.—In talking of the export of bamboo pulp I should certainly be inclined to look towards the markets in the direction of Australia, China, Japan and so on.

Mr. Ginwala.—You will have to give us some basis to go upon. The point is that both Messrs. Raitt and Pearson say that it is a practical proposition, and that India can export pulp to the foreign market, and not only that but that India can supply the whole world.

Sir W. Carey.—Quite so.

Mr. Ginwala.—I don't see from the figures that you have given that there is anything in that.

Sir W. Carey.—You mean the possibilities of export?

Mr. Ginwala.—Yes.

President.—After a good deal of care you selected what seemed the best proposition, but there is not much in it for export purposes?

Sir W. Carey.—I would not like to say that Burma is the best proposition. There are other people who have made experiments and enquiries in other provinces in India with which of course we did not concern ourselves. We simply looked on what we thought as the best site in Burma.

Mr. Ginwala.—You know what the experts from Mr. Sindall downwards have said about bamboo pulp. All emphasized that the Burma bamboo is cheaper, that it is a very good proposition and that pulp can be manufactured and exported to foreign countries at a profit. If you accept their figures, the figures will look all right. But coming to grips with the question from the practical point of view, we have seen no evidence to speak of to show that so far.

Sir W. Carey.—The difficulty is the varying cost as compared with anything that happened in the years gone by. The difficulty is that you have got to make fresh experiments.

Mr. Ginwala.—That is quite true, but we must have something to go upon.

Sir W. Carey.—We must necessarily not make up our own figures for a thing like this. We must allow ourselves a very reasonable margin. It is impossible to commit ourselves to cost of bamboo when we do not know what it will actually cost.

Mr. Ginwala.—I am not asking you to do any business on the figures that you have given. What I say is that it has been stated that this industry deserves protection not only because of its present condition but because of its possibilities. That is one of the reasons given. Well, one cannot see what these possibilities are: where is the evidence?

Sir W. Carey.—If you will allow me to say so, with the protection that is asked for, you can get your bamboo pulp with sufficient interest on capital and depreciation and a profit as well, over and above that.

Mr. Ginwala.—With protection you can always get a profit within certain limits. That is not the point. The point is that, considering it from the export point of view, I do not see that much evidence has been given so far to show that it has got big possibilities.

Sir W. Carey.—I don't think that myself.

Mr. Ginwala.—Nor do I theoretically, but I am talking of the evidence.

President.—What it really comes to is this. Is the export of bamboo pulp an immediate proposition, or has it got to wait until the price of wood pulp has risen substantially?

Sir W. Carey.—I think, on the figures that you have had put up before you by others and our own estimate, there is no reason why bamboo pulp

should not compete in the East for instance to start with. You cannot expect the thing to grow up like a mushroom.

Mr. Ginwala.—Will you work it out in figures?

Sir W. Carey.—I have already given you some.

Mr. Ginwala.—Those figures do not establish the proposition at all.

Sir W. Carey.—As I said, we have allowed a very considerable margin.

Mr. Ginwala.—Even as an estimate it does not establish the proposition.

Sir W. Carey.—What would you consider a fair figure of competition between Rs. 237-8 and to-day's low price of imported pulp? It is £14 at Home to-day, that is Rs. 210 at Home. You have got to take off that £3 freight and charges, that is Rs. 45; that comes to Rs. 165.

Mr. Ginwala.—What I want you to do is this: your figure is Rs. 237-8. Here is Australia: it imports so many tons of pulp. What I want you to do is to show, if you can, that this is the price at which they are getting wood pulp and this is the price at which you can sell your bamboo pulp. That is all we want.

Sir W. Carey.—We will send that up to you*. We have not looked at it from that point of view. No doubt it may be obtained. Up to now we had only figures to supply our own needs.

Mr. Kale.—In answer to Question 20 you have given various figures as the cost of raw materials, etc., and in 20 (b) you have stated that you employ 16,000 hands but you have not stated the arrangement of wages. Are we to understand that the wage is about Rs. 12? What we asked for in (b) was the cost of labour. That you have not given us.

Sir W. Carey.—The labourer earns to-day from 12 annas to a rupee a day. The trouble is that they do not work a full month, neither do they work for continuous series of months; they come and go just as they choose.

President.—Is the labour included in the payments to contractors?

Sir W. Carey.—No, we pay them ourselves.

Mr. Kale.—You must know what the cost is per ton. You have given the cost per ton of royalty, of railway freight and so on, otherwise the statement is not complete.

Sir W. Carey.—In addition to the number of labourers given we have been advised from Nepal that they also employ 15,000 hands there.

President.—We are not concerned with the number. Can you give us an approximate figure showing how much of this sum of Rs. 31 is the cost of labour?

Sir W. Carey.—We can get that for you.†

Mr. Kale.—Can you give us figures for the maximum price that you can afford to pay for your grass and yet compete, other things remaining the same? Suppose there is no protection and yet you wanted to compete, what will be the maximum price of grass that you can pay?

Sir W. Carey.—We anticipate that we can get down to Rs. 1-14 to Rs. 2 per maund into the mill and we shall still require protection, that is cutting it as low as we can. We have got down considerably already, but for the next season, for full working we expect to reduce the cost to Rs. 2 per maund.

Mr. Kale.—That is about Rs. 54 a ton?

Sir W. Carey.—Yes. With conditions prevailing in labour we do not anticipate cutting much lower.

Mr. Kale.—You say that there is an ample supply of raw materials, particularly *sabai* grass, and you also agree that it is more or less a question of price. Taken by itself, the supply may be unlimited, but as an economic proposition, supply means supply at a particular price, so that, unless you

*Statement XI, Appendices II and III.

†Statement VII, Enclosure VII.

are able to bring down the cost of raw material a great deal, you cannot say that the supply of raw material is unlimited?

Sir W. Carey.—The figures that we have given refer to our own areas for our own mills. Other mills, it is quite possible, might be able to get grass at a lower price than we are getting or even hope to get.

Mr. Kale.—We have been told that there is competition.

Sir W. Carey.—Only from those sides of the country where the mills are. In order to stop that competition we have supplied ourselves with our own leases in order to put a period on that. In the old way a lease was put up annually to tender, and competition year by year drove the price up either between ourselves and other mills, or between our contractors and other contractors. That is why we took these steps. Now we know that we are assured at any rate for a number of years of the full supply of grass at a certain figure.

Mr. Kale.—In which there will be no competition?

Sir W. Carey.—No competition for ourselves. We supply ourselves; therefore the other mills will not compete with us for the same supplies of *sabai*. They will supply themselves from other fields.

Mr. Kale.—Have you in any way gone into the fields from which other old mills used to draw? What I want to ascertain is whether they will have difficulty in getting their supplies because you have assured yourselves of the supply.

Sir W. Carey.—No, they have their own supply. What happens at the present moment is that they sometimes make contracts with our contractors and take grass from them. I don't think they have any difficulty in getting their full supply.

Mr. Kale.—The price has gone up.

Sir W. Carey.—That is not our fault. It is the fault of general competition.

Mr. Kale.—Do you think that the price at which you will be able to buy or the old mills, as you call them, will be able to buy, will be a reasonable price?

Sir W. Carey.—We anticipate that the price will come down to two rupees a maund.

Mr. Kale.—Do you think that that is a reasonable price? Or do you think that you ought to be able to get below that?

Sir W. Carey.—Under present conditions I don't think that we can get below that.

Mr. Kale.—What was the pre-war price?

Sir W. Carey.—Rs. 1-4-6 a maund. It is about the average rise in all other things.

B.—Auxiliary.

President.—You have mentioned China clay both in the list of imported materials and in the list of articles manufactured and purchased in India. Does the Indian China clay come from Seraikela?

Sir W. Carey.—From Chaibasa, Chakradapur.

President.—What has been your experience of the China clay that is produced in India? Has it given for satisfaction?

Sir W. Carey.—As regards price it competes with the Home clay.

President.—The other paper making concerns said that its quality was not satisfactory.

Sir W. Carey.—Our experience has been that it has certain disadvantages as compared with the Home clay. It is not quite so clean, but the loading into the paper has been variously reported at being two or three per cent. more than what English clay will carry in. We are at present engaged

in making a complete test as between English clay at to-day's price and Indian clay at to-day's contract price. We are running a complete test in both our mills to ascertain exactly which costs us least.

President.—Meanwhile you are using both?

Sir W. Carey.—Yes, but we used Indian clay exclusively at the time of war when we could not get English clay. It has been so far a matter of division of opinion among technical men whether it is good or bad as compared with the imported stuff.

President.—Then, you mention the acid that you use for the manufacture of paper. Is that sulphuric acid?

Sir W. Carey.—Yes.

President.—What other acid do you use?

Sir W. Carey.—Hydro-chloric acid. That is for bleaching.

President.—What is the alkali you use?

Sir W. Carey.—Either Magadi soda or imported soda ash or our own caustic which we manufacture.

President.—In answer to Question 37 (b) you have given the quantities of the various auxiliary raw materials which you require per ton of paper. I don't think that any other firm has given us that. The total comes to nearly .93 ton per ton of paper. I had no idea that the total amount of materials used was so high.

Sir W. Carey.—We probably use more because we manufacture our own chemicals.

Mr. Ginwala.—What I want to find out is whether you really save very much money by having a chemical plant. Probably you do. But from the figures you have given, I am not able to read them in such a way as to satisfy myself.

Sir W. Carey.—We should be very glad to go into them in detail with you.

Mr. Ginwala.—The principal thing, I think, is the causticising plant.

Sir W. Carey.—We have an electrolytic bleaching and caustic manufacturing plant.

Mr. Ginwala.—Do you really save on that? The other people do not have any chemical plant. The question that arises is whether it is a saving or only a convenience.

Sir W. Carey.—It is a real saving, chiefly in chloride of lime.

Mr. Ginwala.—From these figures I have not been able to see that it is so.

Sir W. Carey.—The chloride of lime is shipped, say, for eight months in a year and arrives here in a fairly decent condition, but it very quickly starts to deteriorate. During the hot weather, the steamship companies won't carry it and we have to stock enough to carry us through. Also during the rains deterioration takes place and the wastage is tremendous.

Mr. Ginwala.—You can say these are the chemicals that you manufacture. If you imported them it would cost you so much, wastage would be so much and something else would be so much. Here of course you have given your costs, but the items about wastage which would increase your costs are not given.

Sir W. Carey.—Sometimes when foreign bleach came to be used, instead of being 37 per cent. it was sometimes only 5 or 7 per cent.

President.—Do you use Liverpool salt?

Sir W. Carey.—Yes.

Mr. Ginwala.—How is it different in properties for your purposes?

Sir W. Carey.—We tried to buy Indian salt, and we made an arrangement with the Madras Government to give us the salt duty free, but we found we had to go so far beyond Cuttack down the Madras coast that it

was impossible to get salt at a competitive price. Then again, when we have bought the locally manufactured salt from the Madras Presidency, we have found the wastage up to 15 per cent. in dirt. We had to precipitate the dirt out of the salt before we could use it.

Mr. Ginwala.—Let me put it this way. It is a question of merely cost and not of quality?

Sir W. Carey.—It is a question of cost. We have tried it. We have done our best. At one time we had a scheme of making our own salt on the Cuttack coast, but we found that it would not work. As a matter of fact whenever other people put up salt works, they were killed by the imported salt.

Mr. Ginwala.—With regard to lime are you favourably situated?

Sir W. Carey.—Yes.

Mr. Ginwala.—Where do you get your lime from?

Sir W. Carey.—From various suppliers; from Sylhet and Kalyanpur.

Mr. Ginwala.—These are at some distance?

Sir W. Carey.—They are all at some distance.

Mr. Ginwala.—Do you use a considerable quantity of Indian clay?

Sir W. Carey.—Yes. I may say that we started using it during the war.

Mr. Ginwala.—What is the difference in properties?

Sir W. Carey.—Chiefly colour.

Mr. Ginwala.—It loads the paper all right?

Sir W. Carey.—Yes.

Mr. Ginwala.—Does it affect the colour of the paper?

Sir W. Carey.—The clay has not got the same white colour when precipitated or when put into water.

Mr. Ginwala.—What effect has it on the paper?

Sir W. Carey.—It brings the colour back after it is bleached.

Mr. Ginwala.—But for *badami*, for instance, it would not matter?

Sir W. Carey.—For that we should probably continue to use it.

Mr. Ginwala.—For different kinds of coloured paper, you can use it but not for white printing?

Sir W. Carey.—In the case of coloured papers; clay does not come to anything.

Mr. Ginwala.—What is the reason?

Sir W. Carey.—It is not every paper that has clay in it.

Mr. Ginwala.—Then it is the average for all kinds of paper that you have given?

Sir W. Carey.—Yes.

Mr. Ginwala.—The average may be misleading?

Sir W. Carey.—We can give you in detail if you like*.

III. LABOUR.

President.—In answer to Question 42 you say that of the labour 40 per cent. is indigenous and 60 per cent. imported, very often from long distances. This is field labour. In which of your fields have you got to use imported labour most?

Sir W. Carey.—In the Western Circle.

President.—And in Nepal?

Sir W. Carey.—Not in Nepal. We have got Nepalese men to work these forests. Otherwise, we should not be able to get men. We are not allowed to go into the fields. They get men anyhow and they report they have as many as 15,000 men.

*Statement VII, Enclosure XIV.

President.—In the Western Circle, it is another handicap?

Sir W. Carey.—Quite so. But there is of course a proportion of local labour.

President.—But it is scanty?

Sir W. Carey.—Yes.

President.—In answer to Question 46, you say "Since the factory was established a large number of trained men have been taught, father and son, and have become a recognised paper making labour force but still requiring expert technical supervision. It is anticipated that this will always be the case because the process of paper making is always undergoing improvements and alterations, and, therefore, there is need for men with European-trained modern technical knowledge." I take it that it does not in the least follow that these European-trained men would be Europeans?

Sir W. Carey.—No, it is only the knowledge.

President.—It is obvious that in any industry you must have men who are up-to-date.

Sir W. Carey.—Yes. As a matter of fact we have quite a number of men who have really learnt the trade, but they are not as a rule educated men.

President.—You say in your answer to the previous question that the Titaghar Mills employ about 20 expert supervisors of various kinds.

Sir W. Carey.—Yes.

President.—That is 10 for each mill?

Sir W. Carey.—About that.

President.—Can you tell us how the number of imported men you employ now compares with the number you employed, say, 10 or 20 years ago?

Sir W. Carey.—Considerably less.

President.—Is it less?

Sir W. Carey.—Yes, I should think 6 or 7 men less.

President.—If you could give us figures for 1903, 1913 and 1923, it would be useful.

Sir W. Carey.—Yes. As a matter of fact I have the figure here and we have actually 16 men and not 20 men.

President.—Shall we correct that figure?

Sir W. Carey.—Yes.

President.—At the end of your reply to Question 46, you say "No apprentices have offered as yet on the technical side of papermaking in this country from among educated Indians." I think that you have also said that you have not got any regular system of apprenticeship.

Sir W. Carey.—We have a scheme but there was no enthusiasm on the part of educated Indians to take it up. I can tell you what we have. We have a number of men in superior billets at the mills who have been trained, but they are all uneducated men of the superior mistri type. We are able to leave a great deal to them in the way of mechanical work. They do very well. As I said, they bring their sons and teach them paper making. It has become a sort of regular caste at home and it is becoming a caste in India too. When the old mills at Bally were shut down, some men came and joined us at Titaghar. They had learnt the paper trade and stuck to paper. Those men are quite valuable, but they are all uneducated men, and the man who has not come forward as yet is the educated man. These men are all right up to a point but we still require educated men.

President.—It is obvious that, if the higher technical supervision is to be done by Indians, you must get educated Indians. At what age do you consider it necessary that they should enter the works?

Sir W. Carey.—As you know, what happens in English mills is that a boy goes in at the age of 14 or 15. He gains his practical experience there. He actually learns how the grass is to be boiled and so on.

President.—What arrangements are made for continuing his education, or does his education stop at that point?

Sir W. Carey.—He goes to a night school for his education.

President.—You don't regard it as desirable that his education should cease?

Sir W. Carey.—No. Of course opportunities are given for technical training where they have special classes. The men who are for years in a mill and who do not wish to remain as machinemen or foremen, may rise to superior positions or become a chemist or something of that sort. The papermaking chemist is a special trade. We have already trained Indians as papermaking chemists. They are educated men and they are doing very well.

President.—They are men who had a general technical training?

Sir W. Carey.—They came simply as chemists.

President.—At what age did they come?

Sir W. Carey.—About 25. One of them is a little older. Whenever we had applications we always entertained them and the last one came from the Dacca University, but the man never turned up when we offered to take him on. At present, between the two mills, we have something like 50 men holding what you may call superior jobs, who have been trained at the mills and who have made it their life's work.

President.—What is the nature of the appointments held by the sixteen Europeans?

Sir W. Carey.—Supervising beaters, boilers, machine house and so forth.

President.—Take the boiler, for instance. Is there anything special about it?

Sir W. Carey.—Very much.

President.—Would that require a special knowledge of the paper trade?

Sir W. Carey.—Very much. You have to take your steam pressures. You can make or lose a tremendous lot of money. Then you have to watch your time of boiling. You can spoil a three ton boil. These are actually digester houses for treatment of grass.

Mr. Ginwala.—What is the total wage bill of these 16 experts?

Sir W. Carey.—It is Rs. 8,700 a month.

Mr. Ginwala.—Does it include allowances and everything?

Sir W. Carey.—Yes.

Mr. Ginwala.—Also passages and provident fund?

Sir W. Carey.—They are given free quarters. Apart from free quarters they get the same concessions as other men. Everybody gets free medical attendance, and so on.

President.—Does that include everybody right up to the Manager?

Sir W. Carey.—It includes the Manager and Assistant Manager.

Mr. Ginwala.—You have had these men all the time?

Sir W. Carey.—We had many more at times. This is our present staff. I think that it is probably down at least by 6 or 7.

Mr. Ginwala.—That is not much of a reduction in so many years.

Sir W. Carey.—It is very considerable when you look at the work they have got to do.

Mr. Ginwala.—Let us suppose that you had started in 1905. It is nearly 20 years. Even then you cannot say that you have Indianised in the same proportion as Indians want the higher Public Services to be Indianised.

Sir W. Carey.—You have got something like 50 men in the two mills who, 20 or 25 years ago, knew nothing, absolutely nothing. If you take this staff and that staff, it is something like 75 per cent. in the last 20 years. These men here 25 years ago knew absolutely nothing. They were raw coolies.

Mr. Ginwala.—That may be so. People get more knowledge as they get older. If you have reduced the European experts by 4 in the course of 20 years, I say that that is not keeping pace with the Indianisation in the higher Public Services.

Sir W. Carey.—That is not our fault. It is the fault of the people who have not come in. We are out to buy brains every time.

Mr. Ginwala.—It depends very much where you look for the brains.

Sir W. Carey.—We are out to buy the best brains.

Mr. Ginwala.—This question has assumed some importance nowadays. Your explanation is that you don't get the proper kind of Indians.

Sir W. Carey.—They have not come forward.

Mr. Ginwala.—It is the same thing as your not getting them.

Sir W. Carey.—I don't follow.

Mr. Ginwala.—You say that Indians are not easily available.

Sir W. Carey.—I don't think so far the paper industry is one which has attracted the educated Indian. He has not shown any eagerness to go to the mill and learn the trade as the man at Home does.

Mr. Ginwala.—Surely you don't mean to say that it is less attractive than the steel industry for the Indian?

Sir W. Carey.—Perhaps, it looks like it.

Mr. Ginwala.—Why should you think so? The conditions in the paper industry are not so arduous.

Sir W. Carey.—People would not work 12 hours a day in the steel industry.

Mr. Ginwala.—There is no 12 hours a day now. So far as hours and other things go, it is the same in the steel industry as in any other industry. In the steel industry, in some Departments, there are only Indians. If the steel manufacturers don't find it difficult to get Indians why should you find it so?

Sir W. Carey.—We should be very pleased if you would send us the educated men.

Mr. Ginwala.—We have received a complaint from one Mr. Gopal. He has not been able to get into any of the paper mills. We do not actually know what his qualifications are, but he certainly got an answer from practically all the mills. It amounted to this that he was not required. He applied to the Bengal Paper Mills and then to the Titaghur Mills. He also wrote to Meenakshi Paper Mills, Travancore. Then he wrote to the Director of the Central Bureau of Information, Home Department, Government of India, and to the Department of Industries, Government of India. He also wrote to the Director of Industries of Madras.

Sir W. Carey.—This is only the present generation. I think that we must have trained 20 or 30 men.

Mr. Ginwala.—He is apparently a better class Indian.

President.—We do not know whether this man was suitable.

Sir W. Carey.—Yes. Personally, as I said, I should recommend that any educated Indian who wished to learn papermaking, apart from the technical side, should be willing to go and learn papermaking from the start at the mills as it is done in other countries.

Mr. Ginwala.—You say that in England a boy of 14 or 15 goes into the mill. You cannot say that he is a very highly educated man.

Sir W. Carey.—He is not.

Mr. Ginwala.—Then why do you insist upon having an educated Indian?

Sir W. Carey.—Every one knows that we have made the best of what we have got.

Mr. Ginwala.—You cannot have it both ways. You cannot have a very young man and at the same time have a very educated man.

Sir W. Carey.—It is no use having a man at 24 and expecting him to learn papermaking unless he is prepared to stay for a number of years at the mills. He will never learn papermaking in any other way. For instance, a boy of 13 started his work at a papermill. He learnt for seven years, practically, until he was 21. He then took two or three years training at a technical school and learnt the higher side of papermaking. He then became an Assistant Manager and learnt the higher side of management. By the time he was 35, he was ready to take up a big job.

Mr. Ginwala.—I will say this much: that in the light of what you say, so far as India is concerned, there is no chance of an Indian learning this trade. If a boy goes to you at 14 or 15, you will say that he is not educated enough. If he goes to you at 25, you will say that he is too old.

Sir W. Carey.—May I explain? There are lots of men in the English paper mills who go in at about 14 or 15. They never become anything else but foremen, as the men out here, in charge of various sections of the mill. That is all. They never become superior men at all. There is no reason why that boy should not come in at an early age and learn practical experience and get the technical training either here or in Europe. We should only be too pleased.

President.—Have you ever discussed this question with the educational people in Bengal?

Sir W. Carey.—The other day I had an application from the Dacca University to take in a young fellow who had just finished his technical side, but that had nothing to do with paper. We gave him an opportunity. We do not know what happened to him. He first came up to Calcutta and he got ill before he joined us and since then he seems to have disappeared. There was an opportunity which we offered. I am quite prepared to do the same to-day but, as I say, to be really a first class paper manufacturer, to be able to take charge of a mill as a mill Manager, a man must learn practically first and then take his technical training.

Mr. Ginwala.—What is there in this industry which requires so much preliminary knowledge and so long a training?

Sir W. Carey.—Either he is a Papermaker or he is not.

Mr. Ginwala.—What is there in the industry that makes it so? What is the personal experience intended to teach that man. Take the open-hearth practice in steel-making. There we are told that it does not matter how much theoretical knowledge you have, the eye has got to be trained. You have got to see at a temperature of 2,000° as to what is happening inside the furnace. That we can understand. What is there in your business corresponding to this which cannot be learnt without very long training and experience?

Sir W. Carey.—There it is the eye and here it is the feel. I cannot do it but I have seen men doing it. You have got to put your hand into the pulp and know what you are making. It is just like cooking and it has got to be learnt. Believe me, it is not that we hold back in any way. It is simply this, that the men whom you seem to be speaking about have not come forward in any number to be trained.

Mr. Ginwala.—If an Indian is always told that he cannot learn this except from father to son, except by being educated and beginning at 15, by attending 12 hours a day and for 15 years, he is not likely to come in.

Sir W. Carey.—How otherwise do you suggest that we should make it easy for him?

Mr. Ginwala.—I do not see why you should not be able to get more Indians.

Sir W. Carey.—Suppose we take the University trained man at the age of 22 or 23 and put him on to the mill to learn the job. I very much doubt if he will be willing to do the work that these men do—I mean the work of superior mistris, but they have got to go through that: If they wish

to become managers of paper mills, they have got to do it. If you get a nice type of youngster I think it is very likely that he would do that.

Mr. Ginwala.—That is the thing that an Indian is told in practically everything. We hear that in connection with the Army, we hear the same thing about the Civil Service and in everything else. It is very hard to believe that this difficulty is insuperable.

Sir W. Carey.—If you can suggest any way round?

Mr. Ginwala.—As an Indian I am telling you the case of an Indian.

Sir W. Carey.—I shall be glad to do what we can. There are two alternatives: give him his practical training and then give him technical training. Then I think, as you suggest, there is a chance of making him a first class paper maker if he is an intelligent man. There is the alternative. Take the University trained man. I do not think you can make him anything more than a technical paper maker. I do not think he will ever be able to manage a paper mill. I cannot describe the distinction any better. We have Europeans in our own mill. One of them is a paper maker; another man is not a paper maker.

Mr. Kale.—You gave certain figures of the Indians employed in the superior service. I want to know how many Indians there are of the same status, of the same calibre and capacity as the 16 Europeans, because the men you mentioned were drawn from the sons of workmen. I want to know whether the 16 Europeans are the only men of that status. How many Indians are there occupying the same status as Europeans?

Sir W. Carey.—You mean in respect of pay?

Mr. Kale.—Pay and also the kind of work they do.

Sir W. Carey.—Actually none.

Mr. Kale.—That is an important point. You tell us there are so many Indians, but practically there are no Indians of that status.

Sir W. Carey.—These are all foremen; the Europeans are all supervisors brought out to supervise these workmen.

Mr. Kale.—I wanted to know how many supervisors there are among Indians.

Sir W. Carey.—You may call them supervisors but they are foremen. As a matter of fact there are electrical plant foremen. There are six foremen at the digester house, four foremen at the breather house and 10 foremen in the machine house. These are on double shifts.

Mr. Kale.—But the Indians have not risen above the position of foreman. That is my point. As Mr. Ginwala put it, after 25 years you have not been able to train men for the work of supervisors.

Sir W. Carey.—These are drawn from Home mills for a short period and sent Home again.

Mr. Kale.—You cannot afford to continue like that. You must ultimately have Indians to do it, and you should have made at least some progress.

Sir W. Carey.—We have made considerable progress; we have got 50 men.

Mr. Kale.—That is a different point entirely.

Sir W. Carey.—We have got one man on Rs. 250, Assistant Engineer on Rs. 290, a man in the power house on Rs. 260, and one Chemist. We have replaced four Europeans by Indians.

Mr. Kale.—All that one can say is that you have just made a beginning.

Sir W. Carey.—Some of these have been employed for some time—for the last four or five years.

Mr. Kale.—You referred to glass blowing as an instance and said that special aptitude and special qualifications were necessary for that. Perhaps you are aware there are certain glass works here in India which are entirely run by Indians. I know particular glass works which are entirely run by

Indians, and there they find no difficulty, and these glass blowers were not born to the trade. They picked it up.

Sir W. Carey.—Perhaps it is a little bit easier than paper making. I do not know.

Mr. Kale.—As you gave that illustration I had to tell you that in glass blowing Indians have been trained without difficulty. Suppose an educated man comes to your mills and wants to get apprenticed and is prepared to be bound to work for a given period. What facilities are you prepared to give him? You say there are no Indians coming forward. I know how anxious they are to enter into factories, and I know also what difficulty they have to encounter in getting into a factory.

Sir W. Carey.—Could you tell me what sort of facilities they would expect?

Mr. Kale.—They would expect during the period of apprenticeship some salary, to begin with.

Sir W. Carey.—Yes.

Mr. Kale.—Unless you are prepared to pay them something it is impossible for them to get into it.

Sir W. Carey.—What sort of salary do you expect them to get? There are apprentices in other industries. We can give anything to start with from Rs. 35 to Rs. 50 a month.

Mr. Kale.—They would like to know naturally what is the wage, what you would give them and what position they would be called upon to occupy after they have finished their apprenticeship.

Sir W. Carey.—One point would be that of quarters. Of course in mills 15 to 25 miles distant from Calcutta it would be very difficult.

Mr. Kale.—You will have to supply them with quarters.

Sir W. Carey.—Educated men, what else will they require?

Mr. Kale.—From what I know of the ambition of students I think I can guarantee to supply you students provided you can give them reasonable facilities in the way of training. Immediately they come into the works they cannot begin to earn?

Sir W. Carey.—That is of course one of the difficulties.

Mr. Kale.—There is a feeling that there is a sort of a prejudice against educated Indians in the minds of employers, whether European or Indian, and they do little for training apprentices. A few years ago an enquiry was made into this question and in the report we find that employer after employer complained against apprenticeship of educated Indians. On behalf of educated Indians I must say that this prejudice is to some extent at least ill-founded. At the present moment in any case these young men are quite willing to go into industrial works.

Sir W. Carey.—It very much depends, I think, on the attitude of the man himself. If he is willing to go in and work and not to be so very particular about this, that and other things, men of that type should have no difficulty now-a-days to get on quite well, because managers of mills and others understand the position very well and are always willing to help.

Mr. Kale.—It is necessary also that these young men should know in one way or another that, provided they are prepared to undergo a course of apprenticeship, they will have the doors open in factories. These young men do not know and consequently they do not approach you. The right type of Indian does not come because he does not expect facilities. So something will have to be done to let them know that opportunities will be given to them provided they come prepared to undergo the training. Do you think it is not necessary to do something of that kind?

Sir W. Carey.—We have come to the alternatives put by Mr. Gidwala whether we should take up youngsters or take educated men.

Mr. Kale.—There are two classes of people who will come to you. The first class will be those who do not come from families which are educated. It is from this class that you may get boys of 14 or 15 and they won't rise higher than your foremen; and the other type you will get from middle class families who will come with education, technical education or scientific education, whatever you want as the qualification necessary for your work, and they will be people of the right type for being trained to occupy higher positions.

Sir W. Carey.—Exactly in the same way as they have done in the coal fields. I do not see any reason why this should not be done.

Mr. Kale.—When certain students go out to foreign countries to learn paper manufacture the difficulty before them is that, unless they have had some experience of paper making in India, there is no use going to foreign countries, and that is the sort of difficulty in their way, so that when they return they find there is no opening for them.

Sir W. Carey.—Is there any suggestion you can make? Supposing we take a man and train him enough for two or three years to enable him to go to such a technical college abroad or to the mills anywhere, Japan, America, Sweden, Germany and so on—there are lots of countries where you can get practical training—is there any reasonable hope that he would come back to the mill where he first got his training in India?

Mr. Kale.—I think you can bind him.

Sir W. Carey.—Naturally one would be desirous. I am not speaking from the point of view of the present Indian mills. It is ordinary business. Unless one is going to get some benefit, a manufacturer will think twice before he takes him.

Mr. Ginwala.—It is done by Government in some departments.

President.—Government in the long run will benefit whether the officer eventually enters Government service or not. But Titaghur and the other mills are not in the same position as Government.

Mr. Kale.—Some Indian States have done it.

Mr. Ginwala.—It can be done legally. A man may be quite shameless and he may not care two pence for agreements, but ordinarily the educated man feels himself bound by them.

Mr. Kale.—Some States in India have done it. They have given scholarships and they make it a condition that on return the students must serve the State for five years.

Sir W. Carey.—That would remove a great difficulty from the business point of view.

Mr. Kale.—Then in answer to Question 51 you say "Generally speaking it takes from 2 to 3 men to do the work of one man in Europe." Can you give us a comparison of the wages?

Sir W. Carey.—Three men at Home, total wages—Rs. 840-0-0 a month, to do the work of 11 men here doing the same work at a cost of Rs. 1,000.

Mr. Ginwala.—The difference is Rs. 160 a month only.

Sir W. Carey.—That is at full working. At one time two men ran the machine and it takes five men now and there is double shift. That is taking the average wages of to-day—for the month of June—in our mills.

Mr. Ginwala.—Are these 11 all Indians or Europeans?

Sir W. Carey.—There is the necessary proportion of Europeans.

Mr. Ginwala.—How many Indians are equal to how many Europeans?

Sir W. Carey.—One Englishman supervises two machines: the rest is all Indian wages.

Mr. Ginwala.—Take half a European: how much does he get?

Sir W. Carey.—Rs. 300 a month.

Mr. Ginwala.—So that it is the difference in the European wages that actually make the difference in the cost of labour?

Mr. Kale.—So that the efficiency of Indian labour is not lower than that of English labour from the point of view of cost?

Sir W. Carey.—The difficulty is that they are not regular in attendance.

Mr. Kale.—If they do not attend they get no wages.

Sir W. Carey.—Regularity of attendance is one of the main things that we have to keep in view. Even among these men, if a European suffers from an accident and goes to the hospital, his particular machine does not run in the same way as when he is looking after it.

Mr. Kale.—I was just reading about wages in paper mills in America. There I found the average monthly wage is about Rs. 300 a month while in your factory it is Rs. 300 a year so that that means a ratio of 1 to 12 between the two. The American wage is \$25 to \$28 a week for men and \$16 for women. That works out to Rs. 300 a month and your average cost is Rs. 300 a year. If you take skilled labour alone the ratio will be 5 to 1.

Sir W. Carey.—Do you mean to say one American in your opinion is equivalent to 5 Indians and *vice versa*? I should not like to say so. Of course wages in America are very high in a certain sense.

President.—It is common knowledge that in America factories are organized so as to get the maximum output per man. It is not so much a question of efficiency in the ordinary sense, but of the effectiveness of labour.

Mr. Kale.—Has the efficiency of the machinery anything to do with it? Is the mechanical efficiency of Europe better than yours?

Sir W. Carey.—I think it is high in Europe, because they have their own machine shops suited to the trade. Here we have got to get it done in some workshop who does not know the work as well.

Mr. Kale.—That explains to some extent why the European labour is able to produce more?

Sir W. Carey.—Yes.

Mr. Kale.—If you place inefficient machinery in the hands of the Indian workmen, his productive capacity is bound to be lower so that the superiority of machinery may have something to do with it?

Sir W. Carey.—As far as that goes the Indian mills have done their very best to bring their machinery up to a point where the Indian workman has every opportunity. In fact we have brought our machines to a point where we can dispense with a large number of labour giving more opportunity to those who are left.

IV.—POWER (INCLUDING FUEL).

President.—In answer to Question 53 you say that your cost per unit of power is 6 pies?

Sir W. Carey.—The paper mill load is a very good load: it works 24 hours.

President.—In answer to Question 56 you say "The total quantity of fuel per unit of paper is 5.6 per ton of finished paper, including manufacture of chemicals, soda recovery, filtration and pulp-making." Is that what you actually worked to during the last year?

Sir W. Carey.—Yes.

President.—How does it compare with the practice in Western countries? Would that be regarded as high figure?

Sir W. Carey.—Of course, as I say, this includes the manufacture of chemicals, soda recovery, filtration and pulp-making. The English mills certainly do not have pulp-making and a great number of them have not got filtration or to manufacture their own chemicals. But making allow-

ance for that I should say it is a reasonable figure, also bearing in mind the fact that Indian coal is 10 to 15 per cent. less in calorific value than English coal.

President.—Have you made any calculations as to the amount of coal required for the manufacture of chemicals? If it were eliminated, to what extent would it reduce the quantity of coal per unit of paper?

Sir W. Carey.—No, because we stopped getting out these figures owing to the reconstruction of the plant.

President.—What I was thinking of was that it is necessary to eliminate that in order to compare with the other paper mills in India.

Sir W. Carey.—Yes.

President.—The Bengal Paper Mills, I think, gave us a figure of 6½ tons of coal per ton of paper.

Sir W. Carey.—Taken by itself one mill should require 6½ tons. That includes pulp-making.

President.—Then I think you said something this morning to what extent electric power can be substituted for fuel in the manufacture of paper. Is it possible to put any figure on that. When you give us a figure of a little more than 2 tons that would be required per ton of pulp, do you mean that you will require that amount of coal if you were making full use of hydro-electric power?

Sir W. Carey.—Hydro-electric power would not be used for boiling and drying.

President.—In the subsequent processes how far?

Sir W. Carey.—All the other processes are electrically driven.

President.—To make a ton of pulp you require 2 tons of coal or its equivalent in some other fuel and this cannot be replaced by hydro-electric power?

Sir W. Carey.—That is so.

President.—For the remainder of the process of making paper to what extent can you use electric power and to what extent must you have fuel?

Sir W. Carey.—I think with the exception of sizing we can use electric power for everything else. I may say 2½ tons as against 4½ tons.

Mr. Ginwala.—What we were told was that, so far as paper making was concerned, electric power was not as economical as steam power: is there something in that?

Sir W. Carey.—I should not say so.

Mr. Ginwala.—And they said that therefore it would not be economical to substitute electric power for steam in paper making.

Sir W. Carey.—I have never seen any real cause to regret electrifying our No. 1 Mill. The whole of the Titaghur Mill is electrically driven.

Mr. Ginwala.—Except for drying, I take it?

Sir W. Carey.—Except for boiling and drying.

Mr. Ginwala.—For that you have to use steam?

Sir W. Carey.—Yes.

Mr. Ginwala.—But the other witnesses said that you could not altogether dispense with steam power for driving purposes. Your experience shows that you have not found any difficulty so far?

Sir W. Carey.—I think we would be safe in saying that we do not anticipate any difficulty.

Mr. Ginwala.—That is an important thing. If a paper mill was to be started in a place where coal was not available in large quantities but where electricity was available - - -

Sir W. Carey.—I think modern paper mill practice has been brought to a pitch where we need never have any fear whatever.

Mr. Ginwala.—Take the pulp part. There you said you would require about 2 tons of coal. Is there any possibility of eliminating that? Can you boil your mixture electrically?

Sir W. Carey.—That I have heard of, but it is very expensive.

Mr. Ginwala.—Take the case of Malabar, or take even Burma or the Arakan where the difficulty of obtaining coal fuel is great. The question arises whether the very good raw materials they possess can be utilized by the creation of hydro-electric power.

Sir W. Carey.—If you have a decent water fall for generating hydro-electricity you need not use fuel. This is done all over Sweden.

President.—You mean the whole process is done by electricity?

Sir W. Carey.—No, they have coal or fire wood.

Mr. Ginwala.—Do you know whether for boiling purposes they can use electricity?

Sir W. Carey.—I am sorry I cannot tell but the firm of Bovings Limited, will tell you. They are Swedish people and they have an Office in Calcutta. I have heard that it can be done, but it is expensive.

Mr. Ginwala.—You use pretty nearly the best quality of coal?

Sir W. Carey.—Not now. In Kankinara we have Lancashire boilers where we have to use good coal. In the other mill we have up-to-date steam boilers plant where we can use anything.

Mr. Ginwala.—How does it work out on average?

Sir W. Carey.—Rs. 10 to 14 a ton.

Mr. Ginwala.—That does not give us an idea as to the average.

Sir W. Carey.—You can say that for the current year it is lower still.

Mr. Ginwala.—You mean in one place it is 10 and in the other 14?

Sir W. Carey.—Yes. You can take it on an average as Rs. 12 between the two mills.

Continued on the 24th July.

V.—MARKET.

President.—In answer to Question 63 you say “The market for the Indian mills is the whole of India, almost without exception, including Burma.” Well, what would be useful for us to know, I think, is the quantity of your paper that you sell in the various markets, at any rate for each place where you sell, as much as 5 per cent. of your output.

Sir W. Carey.—We have it in this way—

Approximate sales in different markets:—	per cent.
Delhi and the Punjab	10
Calcutta	23
Bombay	6
South India	5
Burma	5
United Provinces	2
General mofussil	11
Government & Railways (including Provincial Governments)	38

President.—Is that for one year or is that an average?

Sir W. Carey.—That is the average over a certain number of years.

President.—As regards the prices at which you sell up-country, are they practically the same as in other parts or do you realize a higher price?

Sir W. Carey.—I think we may say that they are more or less the same.

President.—That is unusual. Take the other important industries that we are investigating *e.g.*, cement. The price of cement is by no means the same up-country as in the ports. The price varies according to the distance from the place of manufacture.

Sir W. Carey.—In paper freight is to some extent, or rather to a much less extent, a consideration because of its comparatively small bulk. With a bulky trade you have to take that into consideration.

President.—You have given us some freights later on that may amount to as much as half an anna per pound. If the price of paper is not higher up-country than it is in Calcutta, it means that what you actually receive for your paper may be as much as half an anna less per pound.

Sir W. Carey.—That is so. That is by reason of the competition from ports of imported paper.

President.—You don't have this phenomenon in other industries where there is similar competition.

Sir W. Carey.—That is one of the reasons why we desire, as far as possible, to exclude these foreign papers. They are prepared to sell at rates up-country at which we are compelled to compete.

President.—I am afraid I don't see why, if they can afford to accept a certain sum up-country, why they cannot accept an even smaller sum at the ports?

Sir W. Carey.—I don't quite know how far it still exists, but that was one of the many points before the war that the German paper people made a very strong set at. Their commercial intelligence collected the rates all over India, and they so arranged that the exporter of the paper from the Continent should give him assistance, and I take it that he was able to put down at level rates at all up-country markets. I don't know if that still continues but the fact is there.

President.—That is hardly the point. The point is why are you selling at the same price up-country?

Sir W. Carey.—Of course our motive is to get orders.

President.—It is very peculiar that it should happen in this one trade; I have never heard of it in any other trade. Let me take concrete figures. If the price is 4 annas a pound to the consumer both in Delhi and in Bombay, what it means is that the manufacture in Europe is receiving for the paper he sells in Bombay 4 annas less sea freight. For what he sells in Delhi he is receiving only 3 annas 8 pies less sea freight. If he is content to accept 3 annas 8 pies in Delhi, why is he not content to get that in Bombay?

Mr. Bellamy.—It is not the consumer who is receiving the paper in Delhi but the wholesale importer who imports the paper from Bombay, or Karachi in the case of Lahore. The cost is 3 annas 8 pies per pound at port, and then he has to pay his freight at 4 pies per pound, so that he gets it at 4 annas a pound whereas the man in Bombay or Karachi gets the same paper at 3 annas 8 pies per pound.

President.—Then the prices are not the same up-country as they are at the ports?

Mr. Bellamy.—They are not the same for foreign paper, but they can buy more easily at lower rates from the continental supplier than they can from us.

President.—I gather that the freight from the ports to up-country stations is not passed on to the consumer—meaning by consumer the person who buys from you.

Mr. Bellamy.—As regards Delhi and Lahore markets there is a difference in price between the prices prevailing in these markets and the Bombay and Karachi markets, the difference in price representing the actual railway freight.

President.—Don't you get the benefit of that difference?

Mr. Bellamy.—No, because if we got the benefit of that difference on the price we must charge in Calcutta, it would mean that our price in Delhi and Lahore would have to go up still further. We are now charging against 4 annas a pound 4 annas 4 pies or 4 annas 3 pies. Therefore we should have to add our railway freight again which would bring that figure to 4 annas 6 pies making the price impossible to sell at.

President.—That must imply that the price that you are getting up-country is the normal price, then by some means you must be able to get a better price in Calcutta or Bombay.

Mr. Bellamy.—In Bombay we sell only 6 per cent. We get a very much lower price in Bombay than we do in Calcutta. In places like Madras and Bombay we have to sell at very much lower prices which mean a loss to us, but which we have to sell at in order to dispose of the unsold output in face of the low rates of foreign paper at those ports and our distance from them.

President.—In your own market, so to speak—in Calcutta, where you have been dealing with people for a number of years, one can understand that you might be able to get a more favourable price. What I am trying to get at is that I should have imagined that the price you would receive in Delhi should be higher than the price you would have got in Bombay.

Mr. Bellamy.—Naturally it is so as regards Bombay but not in Calcutta.

President.—Then it is not a fact that the prices are the same in all parts of India? I am putting the question because the Bengal Paper Mills people definitely said that it was.

Mr. Bellamy.—It may be true as far as the Bengal Paper Mills are concerned. Their output is a small one and I think they confine their sales more or less to Calcutta and up-country markets as far as Delhi. They do not look for a market in cheap centres like Bombay and Madras as we do; Our prices must come down in those markets.

Mr. Ginwala.—In Bombay I take it you get something like the import price or something below it?

Mr. Bellamy.—We get about the import price. We have had no advantage at Bombay. We cannot afford to sell below. Our price is invariably higher by a shade.

Mr. Ginwala.—Is not that rather a defect in the market?

Mr. Bellamy.—As a matter of fact, we always cover ourselves in selling in Bombay. We will not sell in Bombay at a greater difference in price than the Delhi price less the Railway freight, so that paper sold in Bombay cannot come back and compete with us in Delhi.

Mr. Ginwala.—You are not getting the same price. You are getting a higher price. We are arguing in a circle.

Mr. Bellamy.—We get one price for the whole of North India with the exception of Bombay, but including Calcutta.

Mr. Ginwala.—I know that there are some trading Corporations who stipulate 'you shall not get our product if you are going to send it beyond a certain place.' According to your own estimate you are able to do it. But you can only do it by charging a price which would make it unremunerative for them to send your goods beyond the ports. But then in that case you won't get a market in Bombay. You will be selling at a considerably higher price than the import price.

Sir W. Carey.—The market is very much smaller for us than we should like it to be. We are at the present time taking all possible steps in each of these markets with a special staff to see what we can do to improve the situation.

Mr. Ginwala.—What I cannot see is: why should you not give the benefit of that reduction in price to your consumer in the interior rather than to the Bombay man? You are not developing your market in the interior as you might be doing. You sell at a great sacrifice in Bombay. Supposing, instead of sacrificing in Bombay, you give the

benefit of that to your customer in the interior, Delhi or Lahore, or any other place, you stand a good chance of getting a better market.

Sir W. Carey.—No, we would not get any increase there. The size of the market up-country would not allow of the expansion. It is in the Ports where we lose the business.

Mr. Ginwala.—You will be able to cheapen it and cheapness must tell in the long run.

President.—I think that your meaning is this, is it not, that the reduction that you would be able to effect in the price in the up-country markets by abandoning your Bombay sales which amount to 6 per cent. of your output would be so small that it would not appreciably affect your sales in the up-country markets?

Sir W. Carey.—Yes. That is so.

Mr. Ginwala.—Take the case of Burma. Why do you want to go to such far off markets? Instead of sacrificing your goods at those distant markets, you may develop your own market which is much nearer your factory.

Sir W. Carey.—I can only submit that we have a special sales organisation in Delhi, in the Punjab for three years, and with the whole sales organisation that we have at the ports as well we are not able to do much by reason of competition from abroad. That is actually the fact. It is not that we over-look these markets. We are taking special measures in each market at the present time to improve our sales.

Mr. Ginwala.—What seems to me is that you are trying to keep the easier market even at a sacrifice.

Sir W. Carey.—I am afraid I cannot allow that because we are now specially studying each market right throughout the country particularly with the special staff, and on the information we are receiving weekly from each market we have to fix the best we can. Even so we are working at 1,250 tons a month as against a possible 1,500—1,600 tons a month.

President.—You mention that you have a certain advantage in freight rates up-country as compared with the importer, but is there anything in the railway rates which would prevent the importer from getting the same concession under the same conditions?

Mr. Bellamy.—Yes, these concessions apply only to paper despatched from the stations where our mills are situated. For instance, if we despatch our paper from Calcutta, that is Howrah, we should have to pay the same rate as the importer, but if we despatch from Titaghur or Kankinara we get these concessions.

President.—It is only from stations beside your own mills?

Mr. Bellamy.—Yes, and stations beside other mills.

President.—Is this an arrangement which has been going on for a long time?

Sir W. Carey.—No, it is only a recent arrangement.

President.—Then you say "These concessions are also not general but only to a few large up-country stations." I take it that in practice it does not make much difference. To smaller stations you really have to send smaller consignments.

Sir W. Carey.—As a matter of fact small consignments have no concessions at all.

President.—But still you get the benefit of these concessions to the extent of about 75 per cent. of your up-country sales.

Mr. Bellamy.—That is right.

VI.—FOREIGN COMPETITION.

President.—Then, you have given us the rates to various places up-country in answer to Question 82. Of course when the imported paper reaches the destination by a different route, it is a different issue. You are answering the question from a rather different point of view. It is really Titaghur to Delhi and Titaghur to Lahore. You have a substantial advantage as far as

Delhi is concerned over the importer, whereas in the matter of freight to Allahabad, the advantage you have over the importer is only '02 pie.

Mr. Bellamy.—The difference which we have to meet in price is approximately 4 pies per lb.

President.—I am not saying that it amounts to anything very much. It is appreciable to Delhi but as to Allahabad it is very small indeed.

Mr. Bellamy.—That is so.

President.—In answer to Question 72, you say that imported wood pulp will be required always for the manufacture of certain qualities of paper, and that bamboo might under certain conditions in time replace this to some extent. What we were told by the India Paper Pulp Co. people was that, putting aside the question of mechanical wood pulp, bamboo pulp would replace imported wood pulp for all purposes.

Sir W. Carey.—Yes, some papermakers do agree.

President.—That is not your view?

Sir W. Carey.—We have had varying opinions on that subject. I believe that it is quite possible.

President.—Have you a definite view on that point or not?

Sir W. Carey.—We should be prepared to use bamboo pulp ourselves.

President.—This answer as it stands in the paper is hardly consistent with what you eventually say in supporting a proposal for a duty on imported pulp.

Sir W. Carey.—There has been a difference of opinion, as there must be on any comparatively new thing, between papermakers. We ourselves on the best advice that we have received up-to-date would be prepared to use bamboo pulp in place of wood pulp.

President.—Have you actually experimented with it in the sense of saying whether it would do the work of wood pulp?

Sir W. Carey.—We have used many hundred tons of bamboo pulp ourselves.

President.—Could you use it for all the various purposes for which you would use wood pulp?

Sir W. Carey.—For most of them.

President.—These experiments form the basis of your view?

Sir W. Carey.—It can be utilised in place of wood pulp.

President.—But is it equally good?

Sir W. Carey.—With equal confidence it can be used.

Mr. Ginwala.—As regards your answer to Question 67, there is rather a difficult question involved in this. It is obvious that the Indian newspapers—the bigger ones at any rate—cannot afford to buy your paper; nor can your paper be used for the ordinary kind of cheap things like hand bills that nobody cares to preserve, and things like that. They are made chiefly out of mechanical wood pulp, and the Indian consumer as you know cannot afford to pay beyond a certain point. If we were to exclude newsprint from our recommendations, do you think the chances are that some of this paper might be used for other purposes?

Sir W. Carey.—Yes.

Mr. Ginwala.—But if we did not exclude newsprint, you would raise simply the price of an article without your really getting any benefit out of it.

Sir W. Carey.—With regard to the newspapers which import mechanical pulp paper for their printing, their consumption is fairly well known. Would there be any difficulty in giving them special licenses to import their requirements of mechanical wood paper?

Mr. Ginwala.—I do not know. I want you to tell us.

Sir W. Carey.—We are of opinion that there would be no difficulty.

Mr. Ginwala.—What about the small newspapers which live from hand to mouth? The small consumer gets the quantity that he requires from the bazar.

President.—I should like to have your opinion on this point. It is not only a case of direct importers. It is also a case of smaller newspapers which buy from a merchant who is importing mechanical wood pulp paper. It might not be possible to devise a system of licenses for papers like "The Times of India" or "The Statesman." It is a manageable proposition. But you cannot extend that to people who are selling to the smaller consumers, for there would be no safeguard against abuses at all. If you say "very well, we will give the license only to direct importers," you will be benefiting the large and prosperous papers but doing nothing for the struggling newspapers.

Sir W. Carey.—I think that about 50 per cent. of the small newspapers already buy our paper because they get it from hand to mouth. They get the same credit from us as they get from the importer. There is of course the balance of 50 per cent. which would be a matter for the Customs authorities to devise some scheme, but these already pay a considerably higher price to the importers for their small quantities.

President.—I should say definitely that an elaborate scheme extending over a large number of newspapers is not workable. I don't think that it would work.

Mr. Ginwala.—Would it not be better—I am just putting to you a mere hypothetical question—for the time being, supposing protection was given to paper, to ignore the mechanical wood paper and newsprint and watch the results?

Sir W. Carey.—I don't think that we could. The bazar will be filled with cheap paper. Probably we should be worse off than we are to-day. The bazar would then use the cheap paper more so than it does now.

President.—What is the difference in price between the newsprint made from mechanical pulp and the commoner paper made by Indian mills?

Mr. Bellamy.—The newsprint comes at £17 a ton which is just over two annas a pound c.i.f. (without duty, etc.) and we sell at about 4 annas.

President.—If the difference in price to-day is 100 per cent., protection would only mean an increase of another 6 or 7 per cent., which would not increase the danger very much. If your stout-hearted customers in the bazar are willing to pay 100 per cent. more to you, I should think that they would stick to you in spite of the increase of another 6 or 7 per cent.

Sir W. Carey.—We should think it very dangerous to see mechanical wood paper allowed in free. The difference is not 100 per cent. when the bazar importer sells to the small consumer. It is considerably less.

President.—It is not a question of getting in free. It will still be subject to the 15 per cent. duty. I can only put it that if the difference in price is at present 100 per cent., it does not seem to me that the danger would be very great.

Sir W. Carey.—The difference is really much less than 100 per cent. and we hope to be able to reduce our price considerably with protection.

Mr. Ginwala.—I think that you should not be unduly apprehensive of the substitution. After all, mechanical wood paper cannot be used for many more purposes in India.

Sir W. Carey.—That remains to be seen.

Mr. Ginwala.—You cannot wrap a pair of boots in mechanical wood paper without its bursting. There is a limit for the mis-use of paper.

Sir W. Carey.—That remains to be seen. At the same time I do not think that I could agree to that on behalf of the trade.

Mr. Ginwala.—How long do you think that it would take a man to change his habit from one paper to another to profit by this difference of 10 per cent.?

Sir W. Carey.—We are informed that he is already changing. He is seeing the difference that exists to-day.

Mr. Ginwala.—Import figures do not show that.

Sir W. Carey.—We are feeling it in the bazar.

Mr. Ginwala.—The import of mechanical wood paper has not increased so very much.

Sir W. Carey.—It has increased very much, and I think that this year's figures will show a still further increase. We do feel the pinch already in that respect in No. 3 printing—our competitive paper—by reason of the difference that exists in price to-day.

Mr. Ginwala.—That may be due to the fact that you are not able to find a market for the whole of your production. You might be competing in the wrong direction. You might be competing against mechanical wood paper which is not a remunerative proposition.

President.—If the importer can put into the market paper at 2 annas and you cannot put it in at anything less than 4 annas you will be driven out of the market altogether.

Sir W. Carey.—That is a particular class of paper which the Indian Mills have never pretended to be able to make to compete.

Mr. Ginwala.—It may be competing with more expensive kinds. That you would admit is not a thing which we may accept as a reason for granting protection. I am just narrowing the issue for the sake of argument.

Sir W. Carey.—Except of course that if it is not protected, you will find that it will compete with the higher grades which we do make and, as I say, we are feeling that already.

Mr. Ginwala.—If you say that you are feeling that already, you should show us from figures that the imports have increased.

Sir W. Carey.—I think that you can see that from the figures that are already obtainable for this year.

Mr. Ginwala.—That happens in the case of other industries. In the case of steel for instance, there is the Continental steel and there is the British steel. In that case we did not accept the principle that the Continental steel was at present competing very seriously with the Tata steel which corresponded more to the British standard specifications. Why should we do so in this case, unless we are satisfied that there is a real danger of the newsprint really being substituted for ordinary paper?

Mr. Bellamy.—The trouble is that the wide difference between the two prices is not so apparent to the consumer because the wholesaler who imports the paper at £20 a ton retails it at a price somewhere near 3½ annas. That principle is not only applied to newsprint but right through to other grades of paper. He is able to realise that price under cover of our own prices.

President.—If that is so, he is only keeping the Indian Mills alive and it is all to the good.

Sir W. Carey.—We are naturally taking advantage to keep up our prices. Otherwise we should be shut to-day. It does not really operate to our wood, as securing such a handsome profit on imported paper under cover of our rates, the tendency is for the wholesaler to push those qualities.

Mr. Bellamy.—The importers are making 25 per cent. profit under cover of Indian prices.

Mr. Ginwala.—He maintains a higher level of prices for you.

Mr. Bellamy.—By making such a large profit in foreign paper, he prefers to invest his money in it. He can only make 5 per cent. on purchases from us.

Mr. Ginwala.—In answer to Question 66 you say that prices paid to you by Government are invariably about 15 per cent. under nett market rates. Is that right?

Sir W. Carey.—That is right.

Mr. Ginwala.—Anyhow our information is that you are getting 5 per cent. more than the market price because you give Government facilities.

President.—This competitive tender is a recent arrangement. Does that 15 per cent. apply to the state of things before or after the recent arrangement?

Sir W. Carey.—It still applies.

President.—You tender at a certain rate?

Sir W. Carey.—It is a reasonable proposition in any trade. If we want a large order for 7,000 tons, we will be willing to cut prices. If we don't do it, they buy it from Home.

President.—So to speak, the price of Government purchases is settled in open competition. As a matter of fact you are able to get a price in the bazar 15 per cent. higher than if you sell to Government. It is not that they have a reservation of 15 per cent.

Mr. Ginwala.—Supposing there is protection, as a result of which your prices and the foreign prices are equalised, why should Government pay you 15 per cent. less?

Sir W. Carey.—Government will always get an advantage because of the size of the contract and the big lines which will enable us to have a long run; that is to say, we know Government is going to give us an order for 1,000 tons of a particular kind of paper and we can make that in a long run. It is a saving to the mill.

Mr. Ginwala.—How much per cent. do you sell to Government of your production?

Sir W. Carey.—88 per cent. Actually it is less this year. 16 per cent. this year to Government alone on full capacity, and 20 per cent. of the present capacity.

Mr. Ginwala.—You will never be able to get for your whole output a price which protection is intended to give you under these circumstances. Government's requirements often run to 40 per cent. of what you produce.

Sir W. Carey.—Do you mean that Government take 40 per cent. of the output of the present mills? As the mills increase in number Government consumption will decrease in proportion for each mill.

Mr. Ginwala.—If on 40 per cent. of the output you get 15 per cent. less you have got to make up that 15 per cent. somewhere else. You have got to get an increase on the other 60 per cent.

Sir W. Carey.—I do not think so. They will never allow anything like that.

President.—In answer to Question 74 you say "competition is keenest in those qualities in which the Indian mills are most interested, *i.e.* Fine writings, Printings and Wrappings." In the case of *badami* paper is there any competition from outside?

Mr. Bellamy.—Competition is coming in particularly from Germany. An imitation *badami* which is being made from mechanical wood pulp is coming in and is being sold at 3 annas a lb. just now in the bazaar.

President.—Is that a recent development?

Mr. Bellamy.—Fairly recent: in the last 18 months.

President.—It did not exist before the war?

Mr. Bellamy.—No.

President.—What do you sell *badami* for to-day?

Mr. Bellamy.—We realise 3 annas 3 pies a lb.

President.—In the answer to Question 76 you have given us your prices for a series of years of white printing and cream laid. Are these the averages for different kinds of printing paper?

Mr. Bellamy.—They are average prices but they represent in the main one quality in those lines as we endeavour to produce one standard with the view to low cost, and development.

President.—What do you call that quality?

Mr. Bellamy.—We call it white printing.

President.—I notice that, if not before the war, at any rate since the war you pretty steadily year by year succeeded in realising a higher price than the price of imported paper.

Mr. Bellamy.—The reason for that is that we find that we are meeting even severer competition from the Continental markets than before the war. That accounts somewhat for the lower prices of foreign papers compared with ours, *i.e.*, comparatively foreign prices are much lower than normal. We have endeavoured to cut down and have cut down during the last three years by considerable stages, but at the same time we have had to regulate these prices as far as possible, to the cost of production and on account of the

difference in prices have found difficulty in disposing our full output. It is for this reason that we have come down from 1,600 to 1,250 tons a month.

Sir W. Carey.—If you refer to the answer to Question 76 we have given you the figures for the Calcutta markets.

President.—Even if you are selling 1,300 tons a month, it works to something like 15 to 20 per cent. more than the imported prices. It is remarkable why any consumer should be prepared to pay it. Are you giving them a better article?

Sir W. Carey.—We are giving them a better article in so far as the real value of the paper is concerned, that is, as we said yesterday, our paper gives more bulk for the same weight, and therefore they sometimes prefer to use our paper instead of foreign paper. It enables us to have a small advantage over the foreign paper though not to the extent of the difference in price.

President.—Do you think what you have told me sufficiently covers the whole ground and explains the difference, or is there any other reason that you have not mentioned?

Mr. Bellamy.—I do not think so. The particular reason for the difference is that there is keener competition now from the Continent than before the war, and the Paper Trade Journal shows that the figures of imports of German printing during the last year were considerably over the pre-war figures. The imports of German white printing during last year show a considerable increase over the pre-war figure not compatible perhaps with the natural increase in consumption.

President.—The imports of white printing from Germany were 4,600 tons in 1913-14, and 5,500 tons in 1923-24.

Sir W. Carey.—May I read an extract from a German Trade Propaganda Journal for February: "The demand in the wholesale paper trade has increased somewhat during December 1923 and factories are particularly well employed for export at prices that are below the inland prices and consequently seem hardly to be profitable."

President.—Is that a German paper?

Sir W. Carey.—Yes. Extract from a Berlin Paper Trade Journal published by Mr. C. C. Vogel, Potsdam.

President.—There is another aspect of this price that I wanted to ask you about. One of the difficulties in dealing with the proposal of protection on paper is that there is a variety of different kinds of paper and there is a considerable difference of price between them. Would it be true to say that on the whole the prices of the various kinds of paper rise and fall simultaneously, or does it happen that the price of one rises and of another falls?

Sir W. Carey.—They rise and fall simultaneously because the basis, raw material is the same for almost all qualities coming from the Continent. It is likely that the prices are regulated by the price of wood pulp.

President.—Supposing the Board found it impossible to investigate in detail the different kinds of paper and the prices, which quality would be the best check as a barometer of the rest in your opinion?

Sir W. Carey.—Printing paper. I cannot say now what the relation is but a satisfactory scale could be arrived at.

President.—What I am thinking of is this. You must have seen our proposal in the steel industry of an off-setting duty if the price of steel fell and an additional duty had to be imposed. What was in my mind was how could that system be applied to paper supposing Government decided that protection must be given to paper? Could it be worked by using, for instance, the price of printing paper as a barometer of the rest? If it has risen or fallen by a certain percentage could you assume that there had been a general rise or general fall?

Sir W. Carey.—That is what really happens.

President.—It would be necessary of course to fix different rates of duties to start with, but then after that when you had to investigate the question whether there had been a marked fall or rise in the price, do you think it would be possible to take one particular kind of paper, say, printing paper,

as the index of the rest, and do you think we could safely assume that the prices of other kinds of paper had risen or fallen in about the same proportion?

Sir W. Carey.—I think it might be done that way, but our information from another country which has really made a special study of tariff on paper, namely the United States of America, is that they have eventually to divide it up. Then there are a great many more grades of paper in use there and manufactured there than there are at present in India. As a rough guide probably white printing would be a barometer, but sooner or later I think it will have to be divided up as they have done in the States. You possibly know the States Tariff.

President.—We have not got the staff in India here to work out details as they have in America.

Sir W. Carey.—Our letter* that we wrote in yesterday is an attempt to arrive at a method of fixing what you have just been speaking of on the same basis as on steel, the difference between the manufacturer's costs, seller's costs and the import price.

President.—Would you like to put in any invoices you mentioned now?

Sir W. Carey.—We would like to have some of them back as they are very important to us.

Mr. Ginwala.—Are these all recent invoices?

Mr. Bellamy.—Yes. There is one here from Alexander Cowan & Sons, a firm in the United Kingdom, offering superior cream laid paper foolscap for 2½d. per lb. c.i.f. This works out to 2 annas 7 pies a lb. We have to add to that 8 pies for duty which brings it up to 3 annas 3 pies per lb.

Mr. Ginwala.—Landing charges and other things?

Mr. Bellamy.—That would amount to a very small percentage. We have it in the Trade Journal, which we quoted yesterday I think, that the cost of manufacture of M. F. printing, which is the cheapest sulphite paper imported into India, is 3 annas 6 pies.

Mr. Ginwala.—What is the date of the offer?

Mr. Bellamy.—10th January 1924.

Mr. Ginwala.—These are importers in this country?

Mr. Bellamy.—They have Agents.

Mr. Ginwala.—They accepted the order at these rates?

Mr. Bellamy.—Yes.

Mr. Ginwala.—Delivery to be made when?

Mr. Bellamy.—From six to eight weeks.

Mr. Ginwala.—What is the port of shipment?

Mr. Bellamy.—From a Home port.

Mr. Ginwala.—But it does not necessarily mean that it is of British manufacture.

Mr. Bellamy.—Undoubtedly it is supposed to be British manufacture, but we cannot tell. In this Trade Journal I think it is mentioned there that the exports of British paper to India last year amounted to 34 per cent. of the total imports into India, but our own experience in the bazaars tells us that there is comparatively little truly British paper coming in, a lot of this figure represents re-exports.

Sir W. Carey.—That is what is called a representative case. In addition to that we have put in a copy of a letter from a private friend of ours about seeing foreign paper passing through English Mills.

President.—It would be useful if, with each invoice you put in, you would send a short note drawing attention to what you consider the important points, for instance, the kind of comments you were just making†.

With regard to Question 79 your invoices could to a certain extent supply the information, but there is another aspect of the question which comes in.

*Statement III.

†Statement VII, Enclosure I.

namely, have you any recent information as to the cost of production in Europe, any actual figures?

Mr. Bellamy.—If we might refer to John Dickinson's statement who are manufacturers in Great Britain, they themselves admit cost of manufacture at 8 annas per lb. and I think it might be safely argued that that is putting it at a very low figure.

Sir W. Carey.—We had it in recent Trade Journals at $3\frac{1}{2}$ annas for white printing and cream laid.

President.—If you could refer us to them it would be useful. Has there been any attempt to examine the cost of production in detail in any Trade Journal?

Sir W. Carey.—The Home paper makers are very particular about that. There is a great difference between the American Paper Trade and English Paper Trade. It is very difficult to get that.

President.—But there is this to be said also. It is not only the cost of manufacture in England which is important. Personally I should think the cost of manufacture in some of these Continental countries is more important. I do not think it is the smallest use taking the German cost because the mark has not come to its level.

Sir W. Carey.—All the information that we have been able to obtain of Scandinavian costs showed that the Continental cost had a tendency to go high, and that a certain paper which is coming in now is not being produced and is being sold here at a figure at which they would not care to sell at local markets. We have the Norwegian export figure also and shall give it in the abstract asked for.

President.—In answer to Question 81 you refer to dumping of paper in India. You say "It must be regarded as a permanent feature, as the supply of paper in Europe at present rate of manufacture must exceed the possible demand for many years to come." If so, why do you call it dumping? If the conditions are as you describe, it ceases to be an abnormal feature and it is thoroughly normal. I entirely agree with the statement that it applies to a great many other things besides paper.

Sir W. Carey.—It none the less emphasises the need for some assistance.

President.—It merely means that the paper is going to enter at a certain price at which the Indian manufacturer cannot produce.

Sir W. Carey.—Yes.

President.—Then going on now to Question 85 you tell us in answer to clause (c) "Taking the present-day cost of labour together with the extra number required to do the same work, it might be estimated that the cost of labour is much about the same." That really we went into in another connection yesterday. Then you mention a number of disadvantages under which the manufacturer in India labours. Well, what it comes to is this. That being so the disadvantages undoubtedly exist, but does there exist in India any natural advantage to the industry which will enable it to hold its own eventually without protection? You have no advantage in the cost of raw material, and no advantage practically in coal. As regards collection and transport I understood your view is that you have to bring your materials from a long lead.

Sir W. Carey.—But we are not saying that the raw materials in India have been fully exploited by a long way, neither did we say so yesterday. I should not like to maintain that they have.

President.—You say that the raw materials are within easy reach of the best places to establish factories?

Sir W. Carey.—That of course can be improved upon, if the trade became sufficiently improved and pulp or fibre can be brought near your raw material and your manufactured pulp can be sent to the paper mill. You can send your pulp in the same way as is done in Europe.

President.—I have taken into account all that you have said about these things but the general impression in my mind is that, except by the exhaustion of the wood pulp, I do not see how grass would be able to hold its own.

Sir W. Carey.—We expect, as we said in the statement put in yesterday, to get our raw materials' cost down especially in the immediate future, once the mills are able to get anything near to their own full output. Apart from the question of bamboo, there is also another fibre which we had not mentioned here but which we had used at different times and which is very easily obtained and very cheap. They are straw and *moonj* grass. These are found in very large quantities and easily obtainable.

President.—But can paper be made economically from them?

Sir W. Carey.—In our original reply we have omitted the fact that we have used in considerable quantities at different times both *moonj* grass and paddy straw, not as a main raw material, but as very considerable auxiliary, to the extent in some years of thousands of tons.

President.—You do not seem to be using any just now, at a time when you would resort to any means of bringing down your costs.

Sir W. Carey.—These are to be used for filling up. They do not take so much bulk or require so much boiling.

President.—Straw does.

Sir W. Carey.—Of course there is an additional possibility. Straw boards, of course, can be made quite easily. With regard to cost of plant and machinery, cost of labour and so on, these things may, of course, in future improve.

President.—The point is this that, in accordance with what the Fiscal Commission laid down, there ought to be a reasonable prospect that the industry will be able to hold its own after some time without protection.

Sir W. Carey.—We are hoping to do so.

President.—But it is not clear from your evidence.

Sir W. Carey.—You will find that in our further covering letter.

President.—In the case of bamboo, the field has not yet been fully investigated?

Sir W. Carey.—No. With regard to the cost of grass we anticipate it will go down next year very considerably.

President.—You would even then have no particular advantage as compared with the people who make paper from wood pulp.

Sir W. Carey.—If you take grass at Rs. 2 a maund, that is equivalent to Rs. 54 a ton. We expect within the next six months if we have full working to have our grass at a price which will give us an equivalent of £15 c.i.f. for wood pulp; that is to say, we shall not then be worse off at the present-day imported price of wood pulp.

President.—It seems to me that there are several elements in the figures which ought to have been taken into consideration.

Sir W. Carey.—We may be able to satisfy you on that.[†]

Mr. Ginwala.—In answer to Question 74 you say "The competition is keenest in those qualities in which the Indian mills are most interested, i.e., Fine Writings, Printings and Wrappings." You use the term "Wrappings;" does it correspond to "Packings?"

Mr. Bellamy.—In "Wrappings" we have included "*Badami*" although I admit it is used a lot as writing paper, and, being a cheap paper, is used for wrapping as well.

Mr. Ginwala.—I take it that the imported packing paper is used as packing paper and is not used for writing. That paper is not manufactured by you?

Mr. Bellamy.—Theirs would consist only of brown paper.

Mr. Ginwala.—The point is this. If we are to make any recommendations for protection, they must not extend beyond the requirements, that is to say, they must not cover paper that is not manufactured in this country, on a reasonable scale.

* Statement III.

† Statement VII, Enclosure XIV.

Mr. Bellamy.—We manufacture these qualities in fairly large quantities, namely, brown paper and *badami*.

Mr. Ginwala.—How much?

Mr. Bellamy.—About 10 per cent. of brown paper.

Mr. Ginwala.—That is not made out of grass?

Mr. Bellamy.—That is made out of cheaper fibre and grass pickings.

Sir W. Carey.—That is to say, grass which we have to pay for but which is not suitable for making white paper is used for making brown paper.

Mr. Ginwala.—Is there a considerable quantity of this kind of paper manufactured in this country?

Sir W. Carey.—There is a very considerable quantity of it, particularly in the case of other mills.

Mr. Ginwala.—Which mills?

Sir W. Carey.—The Bengal Paper Mills and the Lucknow mills; and also in Punalur where they make nothing but brown.

Mr. Ginwala.—That may be called packing paper?

Sir W. Carey.—Yes.

Mr. Ginwala.—What are the kinds of paper that you manufacture against which this foreign paper competes, and the quantities that you manufacture and the quantities that are imported?

Sir W. Carey.—We will amplify that.*

Mr. Ginwala.—Can you tell us whether a particular kind of paper is made of esparto grass or chemical wood pulp?

Sir W. Carey.—We can by chemical laboratory test.

Mr. Ginwala.—What I mean is, can the Customs authorities tell?

Sir W. Carey.—With the assistance of an experienced paper maker they could.

Mr. Ginwala.—Can you tell by looking at it that a paper is made of mechanical wood pulp?

Sir W. Carey.—I don't think you can always. It would not be possible unless the mechanical pulp used was pretty considerable.

Mr. Ginwala.—Newsprint?

Sir W. Carey.—Certain printings contain only a small proportion of mechanical pulp: that would be difficult to ascertain.

Mr. Ginwala.—By chemical test can you tell whether it is made out of wood pulp or other pulp?

Sir W. Carey.—We can tell you whether it contains a large percentage of mechanical wood pulp or not. Given a laboratory and given a capable papermaker chemist I have no doubt it can be done.

Mr. Ginwala.—It is not known just now really speaking how much of paper that comes to this country and competes against you is made of wood pulp?

Mr. Bellamy.—I don't think the real figure is known.

Mr. Ginwala.—Then why do you say it is mainly so?

Mr. Bellamy.—I am sorry I misunderstood your question. We can tell ourselves what materials a paper is made from.

Mr. Ginwala.—But the point is, it is merely a conjecture on your part.

Sir W. Carey.—We have sufficient evidence in our own laboratory from the samples collected by our own salesmen that there is a very large proportion of mechanical pulp paper. We always test these samples ourselves from all over the country.

Mr. Ginwala.—So far as the better class of paper is concerned, I take it that you can compete. If, therefore, it is provided that paper made out of mechanical wood pulp or chemical wood pulp must pay a higher duty which

* Statement VII, Enclosure IV.

equalizes foreign and domestic prices so far as you are concerned, and other kinds of paper are excluded, will that serve the purpose, assuming that protection is given?

Mr. Bellamy.—It might do so, provided it was stated that even if they contained a partial quantity of mechanical or chemical wood pulp they fell under the duty.

Mr. Ginwala.—If that was put down so far as you are concerned you would be satisfied?

Sir W. Carey.—Yes, on the proviso that paper containing any wood pulp fell under the duty.

Mr. Ginwala.—And by laboratory examination that can be ascertained?

Sir W. Carey.—Yes.

Mr. Ginwala.—Then coming on to your answer to Question 76, am I right in stating that it is in the last two years that you have felt the competition most?

Mr. Bellamy.—Since after the trade boom of early 1921. Since that broke we have been facing very serious competition.

Mr. Ginwala.—A good deal of the competition was due, I take it, specially in the present year, to the exchange?

Mr. Bellamy.—Yes, and slump in the beginning.

Mr. Ginwala.—By exchange how much have you suffered within this year, say, 1923-24?

Sir W. Carey.—We suffered to the extent of 6 or 7 per cent.

Mr. Ginwala.—You are asking only for 10 per cent. more?

Sir W. Carey.—Yes.

Mr. Ginwala.—So that the bulk of that is a question of the rectification of the exchange?

Sir W. Carey.—If the exchange comes to a higher figure, it will neutralize.

President.—Was the additional 10 per cent. based on 1s. 4d.?

Sir W. Carey.—Yes.

Mr. Ginwala.—The prices which you have given, viz., 3 annas 7 pies and 3 annas 10 pies for 1924 are at a higher rate of exchange.

Sir W. Carey.—The exchange at that time was anything between 1s. 4d. and 1s. 4½d.

Mr. Ginwala.—Up to what date was it?

Sir W. Carey.—Up to April, I should say early May.

Mr. Ginwala.—Surely exchange was higher than 1s. 4½d.?

Sir W. Carey.—1s. 5d. was not attained till about a month ago. I think you may take it that these figures are based on 1s. 4½d. when the replies were drafted.

Mr. Ginwala.—What I want to know is how much of it is due to exchange?

Sir W. Carey.—I should say none. That is to say, the exchange which is prevailing to-day is making it more and more difficult for us all the time; we are feeling it.

Mr. Ginwala.—We must take the price at some definite point and it must be as near as possible to the time when we are making our recommendation.

Sir W. Carey.—I may say that all our figures were based on Rs. 15 to the pound, and we have always made our calculations on that basis.

President.—If we take the exchange at 1s. 4½d. in the first four months of 1924, we can with a little arithmetical calculation arrive at what the price would have been at 1s. 4d.; in that way we can ascertain for ourselves.

Mr. Ginwala.—The Finance Member has budgeted at 1s. 5d.; do you accept that as a reasonable rate for the whole year?

Sir W. Carey.—I wish I know!

Mr. Ginwala.—In the case of our recommendations with regard to steel we took the exchange at 1s. 4d. At the time the recommendations came up before the Assembly it was very near 1s. 5d.

Sir W. Carey.—I think the prospect at the present time is that the exchange will be very much nearer 1s. 6d. than 1s. 4d., and it looks like remaining so for a time, so we should be very sorry to base our desire for protection upon 1s. 6d. exchange. In America they had the same difficulty, and they got over it by fixing an additional percentage of so many cents before they took in the percentage.

Mr. Ginwala.—I notice that you have obtained 6 to 8 pies better than foreign paper; what is it due to?

Mr. Bellamy.—That represents the value of our sales for the market only, that is, market apart from all supplies to Government.

President.—But you have just told us that your supplies to Government are 15 per cent. below the market, therefore that makes it much worse.

Sir W. Carey.—But I should not think so; these prices were based on the Calcutta bazar.

Mr. Ginwala.—It has still got to be explained.

Sir W. Carey.—We happened to obtain a better price.

Mr. Ginwala.—Can you give us your average price—leave alone the Calcutta market—that you have realized on the whole of your output?

Sir W. Carey.—We can give you a supplementary statement.*

Mr. Ginwala.—It is very difficult for us to determine the foreign price. What I am asking is this: supposing from these average prices that you realized for the whole of your output if we deducted the duty and made a certain allowance for the local charges, commission and so on, would that very nearly represent the c.i.f. price of the imported paper? That will eliminate these fluctuations you are talking about from your point of view. Supposing you realized a price of 4 annas 6 pies and we want to work back to c.i.f. price from that figure. We assume that you are getting the price at which foreign paper of corresponding quality sells in this country at present. We want to determine the price of foreign paper by working back from the price which you get in the bazar. If you take 4 as. 6 pies as the price realized by you, and if you deduct the duty of 15 per cent. which the foreign paper has to pay and certain other charges, shall we very nearly get to the foreign price?

We want to make a comparison. Suppose the foreign manufacturer fixes his price with reference to your price. You fix your price at present with reference to the foreign price. I will put it the other way, *viz.*, that the foreign manufacturer fixes his price with reference to your price because there is no exact foreign paper the price of which we can compare with your price.

Sir W. Carey.—I can see no objection to that just now. If we do we shall let you know, or if we can suggest anything better we shall let you know.

Mr. Ginwala.—Coming on now to answer 85 (a) what we wanted was the money value of the disadvantages.

Sir W. Carey.—As far as we are concerned with the raw materials we make so much of it ourselves that it is not so great as in the case of others. We can get you the figures.

Mr. Ginwala.—We want to know what it means to you in a year.

Sir W. Carey.—We will let you have the figures.

Mr. Kale.—Are the prices that you have given in answer to Question 76, net prices?

Mr. Bellamy.—They are net realized prices.

Mr. Kale.—Exclusive of commission?

Mr. Bellamy.—After all charges have been deducted.

*Statement VII, Enclosure V.

Mr. Kale.—In answer to Question 79 you have complained about the foreign manufacturer selling at or below cost, but I want to put it to you, in the same way as the President has put it to you, whether it is not an ordinary business method. You have, so far as I see, been doing the same thing yourselves, selling a certain quantity below the price at which you sell to other people. The foreign manufacturer is selling a certain quantity in India at a price below that at which he is selling in the United Kingdom.

Sir W. Carey.—We have been forced by the Home people, and look like being forced to a still greater extent unless we can get some relief, to sell below the price at which we can make it. But it is easily understood that we cannot continue because we shall have to shut up. It may be an ordinary business method, but it has already resulted in the closing, to my own personal knowledge, of six mills and there are many others in the United Kingdom and Europe which are in the same position.

Mr. Kale.—Is it not a practice which is common to other industries?

Sir W. Carey.—It may be, but I don't support the practice on that account.

President.—For instance, in the case of Indian pig iron, they don't get in Japan or America the price which apparently they realise in India.

Sir W. Carey.—Oh, no. But they cannot continue for any great length of time below the works costs. That is what we maintain.

President.—The evidence is much more complete as regards their selling at a lower price than they realise in their own country than about their selling below works cost. There is always this to be said. Many mills may be selling below cost, but the best may be making a profit.

Sir W. Carey.—That is true.

President.—That is a point that has got to be considered. They can force the pace.

Sir W. Carey.—Yes.

Mr. Kale.—The point is that, when there is mass production and manufacturers have to rely to a considerable extent upon the export trade, this practice is bound to continue and it is likely to be a permanent disadvantage to the Indian manufacturer.

Sir W. Carey.—Yes, and it is for this reason that we are asking for additional help.

Mr. Kale.—Suppose that help is given to you for five years, what guarantee is there that there won't be a revival of this practice when you will again come to the Legislature and Government and ask for help?

Sir W. Carey.—In that short period we fully anticipate that we will be able to come down very considerably in our works costs. With that object we have been working and we are still continuing to do so, and also to organise our raw materials. We anticipate getting the advantage of that within the next two or three years. In the meantime we should be forced to shut unless we get this help.

Mr. Kale.—Do you mean to say that, if this help is given temporarily, you will be in a position later to meet successfully this practice that at present prevails and is likely to prevail later on?

Sir W. Carey.—It depends on the extent to which that practice is able to continue. We have seen the result of it already in the shutting down of many English mills purely owing to this kind of attitude in India and elsewhere, and I think myself that it is already commencing to some extent to rectify itself. The mills at Home are stating that they cannot go on at this rate because, if so, there is general ruin ahead and they are beginning to pull up.

President.—Surely it is the Continent of Europe and not Great Britain which really dictates the price. The British manufacturer is not by any means the master of the situation.

Sir W. Carey.—May I just read this? We have stated in our letter—

“If an additional 10 per cent. duty is imposed we do not look to get this figure of four annas per lb. of paper but we do look to stabilise sales round about the present prices, thereby enabling us to fill our works with orders at present prices.

We realise that it is incumbent upon us to reduce costs further and we can see our way next year on full working to reduce our costs to a figure which, if prices are stabilised on the present basis, will enable us to survive.”

Mr. Kale.—Am I to understand from what you have been telling us that, in the course of the next four or five years, competitive prices of paper in foreign countries will rise or in any case will stabilise themselves round a higher figure? That is the inference which I am inclined to draw from it.

Sir W. Carey.—We have reason to believe that, on the information we get from reading trade reviews and from private advices, the English prices anyhow are round about bottom to-day; but as the President has said, it is impossible to foresee what the price of foreign paper will be, though I don't suppose that they will go on cutting; and as regards ourselves in the letter we have dealt with the question.

“With regard to the third condition of the Tariff Commission that the industry should be able eventually to stand on its own feet, we would point out that the industry stood for 30 years before the War though with extreme difficulty at times, and with the awakening of India to industrial conditions and the special natural necessity of a paper industry to any advancing nation we see no reason on broad lines why under normal conditions the industry should not again exist without protection.”

Mr. Kale.—To what extent have you to suffer from competition from the Continent and to what extent from the United Kingdom?

Sir W. Carey.—I think that the bulk of the imports is from the Continent to-day, either direct or shipped through British dealers.

Mr. Kale.—I find it rather difficult to believe that this competition will in any way tend to disappear in the course of five years if it is Continental competition.

Sir W. Carey.—Within that period we anticipate that we will be so much better off in our works costs.

Mr. Kale.—Do you believe that you will be able to compete in that case?

Sir W. Carey.—Yes; taking (and this can only be an estimate) that the world prices of paper to-day are somewhere near the bottom.

Mr. Kale.—Even on the Continent?

Sir W. Carey.—Yes, apart from the question of exchange.

Mr. Kale.—Leave exchange out of account. But taking Germany at the stage in which the country will be placed in five years do you believe that the Germans will not cut down prices?

Sir W. Carey.—It is very difficult to estimate what they will do.

Mr. Kale.—It is an uncertain and difficult matter?

Sir W. Carey.—It is.

Mr. Kale.—You say on page 18 in answer to Question 85 (e) that Indian mills can buy auxiliary raw materials and consumable stores on practically as cheap a basis as English mills and sometimes cheaper. Am I to take it that in the matter of auxiliary raw materials you are better off than British mills?

Sir W. Carey.—I think there we have nothing to be afraid of as regards British competition.

President.—You would not say that you are better off?

Sir W. Carey.—Certainly we should not be worse off except for the fact of maintaining bigger staffs. Many of them are produced in the country. Rosin is available in the country. We ourselves have done our best to introduce clay. It will always be there to some extent and other auxiliaries such as rags and waste paper are natural in the country. I have mentioned others also such as straws, etc. Salt is, of course, imported and will continue to be imported. Lime is natural in the country and we always use it. I don't think that we have anything to fear on this point.

Mr. Kale.—In answer to Question 84, you have quoted the opinion of your salesmen or some one else about the Continental paper being passed off as British manufacture. Do you seriously believe that it is going on on a very large scale? Have you reason to believe that?

Sir W. Carey.—I think that we have reason to believe that many British dealers are doing it.

Mr. Kale.—I have often heard it said that British manufacturers, taken as a whole, have a very high reputation for honesty. Is it a departure from that or is it common?

Sir W. Carey.—I am not saying that these are manufacturers. I am saying that these are dealers.

Mr. Kale.—The gentleman says that these are taken to mills. In any case, the manufacturers have a hand in it. They are not taken to shops and godowns.

Sir W. Carey.—I suppose that there are black sheep everywhere. We feel the pinch and we object. It may appear to them as a legitimate form of business.

Mr. Kale.—Is it because they are feeling the pinch that they are driven to this practice?

Sir W. Carey.—The middlemen here are the men who benefit by it. I take it that it is to get the advantage of German exchange and it is a temporary phase.

Mr. Kale.—Is it a temporary phase?

Sir W. Carey.—It will probably continue as long as the German exchange is not fixed.

VII.—EQUIPMENT,

President.—The German exchange has been most steady for the last three or four months.

You tell us that a complete 4-machine mill is an economic unit. How does it compare with your own mill?

Sir W. Carey.—Ours are 4-machine mills.

President.—Each of them?

Sir W. Carey.—Yes.

Mr. Ginwala.—Have there been any important alterations in the manufacture of paper since the war?

Sir W. Carey.—There have been many suggested improvements in the processes, not all of which are proved yet. In fact some are still under experiment in Sweden, France and in Great Britain.

Mr. Ginwala.—Suppose you were rebuilding your mill, would you repurchase the machinery that you have got?

Sir W. Carey.—A very great deal of it would be the same.

Mr. Ginwala.—And the chemical plant which you have bought recently, also?

Sir W. Carey.—The chemical plant would be the same.

Mr. Ginwala.—What about the other things in the mills?

Sir W. Carey.—As I say, in the mills the machine might be bigger; it might have a more rapid drive. The preparing plant might possibly be

rearranged somewhat which we have done already. Apart from that I don't think that very much is required. We have already done so much.

Mr. Ginwala.—The chemical plant is a thing which you may or may not have. Beyond the chemical plant, what have you done?

Sir W. Carey.—The principle is very much the same: In addition to what we have given you in answer to Question 93, we have made the following:—

Large saving of labour in boiling, breaking and beating, and in pumping pulp across the mills which used to be handled.

The pumping system for pulp which is intended to give cleaner and cheaper paper is giving the latter advantage and will give full value for the former as soon as the strainers are fully installed. These strainers have now arrived and are in course of erection.

As soon as the big storage tanks for bleaching pulp in both mills were completed, the system gave us better value for bleach than before, and also more storage behind the mills. This has only been made possible by our electrolytic bleaching system, from which chlorine is supplied to both mills.

The steam and boiler plant at both mills have been put in order and new boilers erected. The machines are now being taken in hand by our expert. This is purely a matter of time and not of expenditure.

To sum up, both mills are capable of producing the same output as before of better quality paper and at reduction in cost evidenced by the figures.

So except what you might call very advanced recent improvements, we have everything in our mills. Many of these very advanced improvements are now still under experiment.

Mr. Ginwala.—But I thought you stated before the Fiscal Commission that every seven years a plant goes out of date.

Sir W. Carey.—Only certain portions of it. That is about 3 years ago.

Mr. Ginwala.—In four years it will be again out of date?

Sir W. Carey.—In four years we shall either be running with present plant or not at all.

Mr. Ginwala.—The moment one is told that the plant was built between 1882 and 1905, one gets the impression that there is something very ancient about your equipment. It is a period of 23 years.

Sir W. Carey.—During those years there has been comparatively little change. We have modernised it now.

Mr. Ginwala.—It may be so. The plant which was put up in 1882 has done more than 40 years' work now and therefore it is reasonable to suppose that it has seen its best days and that it is out of date.

Sir W. Carey.—May I know what is the object of the question.

Mr. Ginwala.—The object of the question is to find out whether your costs are not heavier than they ought to be because of the equipment not being up-to-date. I will explain to you what the position is. If we were to make any recommendation for protection, it must be on the basis of a fairly modern up-to-date and well equipped paper mill. We shall have to determine the cost of production in such a mill and make our recommendation accordingly. I want to satisfy myself whether your mill is up to the standard.

Sir W. Carey.—I do not suggest for a moment that you could not buy outright a plant fitted up with the newest ideas which would be able to work at a slightly lower figure than ours, but you will find all over the world that it is the condition in the paper trade. As long as you keep the preparing plant up-to-date, your machines will be just as good as they were when laid down first. We have already discussed this yesterday. The

whole of our effort for the past three years has been to bring our back end of the mill into line with modern practice, and I think we may say that we have got that.

Mr. Ginwala.—Can you tell us how much of this plant that you have got is more than 10 years old?

Sir W. Carey.—I think that we may say that there is nothing left in the mills except the machines. Everything else has been brought up-to-date, and the machines, as I read out to you, are being brought up-to-date.

Mr. Ginwala.—By machines you mean the paper making machines?

Sir W. Carey.—Yes, the last part of the paper making process.

Mr. Ginwala.—That may put a different complexion on the facts of the case.

Sir W. Carey.—It is owing to that our cost has gone down very much. I would be very pleased to give an ocular demonstration at any time.

Mr. Ginwala.—But the trouble is that we cannot say that this is what it ought to be.

Sir W. Carey.—Expert people can tell you. We have taken the greatest thought with the object of bringing the whole back end of both the mills as closely up-to-date on modern practice as is possible.

Mr. Ginwala.—I have put you this question because you might have heard the criticism on the Indian industry is that it is not well equipped and that cost goes up because of that.

Sir W. Carey.—We have taken the bull by the horns there very distinctly, because we knew that the danger would be round about this time, whether there was a question of protection or not, and so, as we said, 6 or 7 years ago we spent the money in bringing the mills up-to-date.

VIII.—CAPITAL ACCOUNT.

President.—In answer to question 98 you say “Since manufacture commenced Rs. 57,97,221 up to March 1923 has been written off for depreciation.” We would like to have how much under each of these sub-heads (c), (d) and (e) you have written off.

Sir W. Carey.—Yes.*

President.—In Question 99 you tell us “As a general statement in our opinion the cost of new mills of the same size, on the same site and working the same materials, would be not less than double our present value.” That takes you to about Rs. 90 lakhs.

Sir W. Carey.—We have since received cable advice, dated the 10th July, from Messrs. Bertrams, Ltd., Edinburgh. To replace a mill such as the Titaghur Mill which is the old mill including all the plant we have there such as soda recovery plant, bleaching plant and so forth they estimate at £320,000 f.o.b. Of course, what you add to that depends where you are going to put your mill, railway sidings, water tanks and that sort of thing. If it is near Calcutta or if it is up-country, you must allow for additional cost.

President.—It is for you to tell us.

Sir W. Carey.—I should say roughly it is £100,000—200,000 according to the locality. They say approximately that new mills of similar size would cost not less than £600,000 each.

President.—The importance of that is that you require a capitalisation of Rs. 450 a ton.

Sir W. Carey.—That, of course, depends on the way in which you put up your mill. To replace our two mills to-day at Calcutta would cost about £1,250,000.

President.—You told us before that the cost of new mills would be not less than double your present block value.

*Statement VII, Enclosure XI.

Sir W. Carey.—The Kankinara Mills do not include all these improvements.

President.—If these things are desirable and if they lead to economic production, whatever new mills you put up would you not provide for all these?

Sir W. Carey.—I have given you the newest figure we have received from Home.

President.—What I really want to get at is this. If somebody wishes to start the manufacture to-day, what is his capitalisation going to be per ton of output?

Sir W. Carey.—If he wants an up-to-date 4-machine mill with filtration and bleaching plant, it would cost him £300,000 f.o.b. *plus*, according where he put his mill, anything from £100,000 to £200,000 for railway siding, jetties and so forth.

President.—It is no use leaving it to me. Take it at your own place.

Sir W. Carey.—£600,000 was the figure for a four-machine mill.

President.—It roughly comes to Rs. 1,80,00,000. Your output is 18,000 tons. That means a capitalisation of about 1,000 rupees per ton.

Sir W. Carey.—Yes.

President.—You have to add Rs. 100 to your cost of production before you get 10 per cent. on your capital?

Sir W. Carey.—Yes. We have taken it here in the letter which we put in yesterday.*

President.—It is a very large addition to the cost.

Sir W. Carey.—This is particularly on a very complete mill as is quoted here. But there are many people who would be able to work mills without all these additions. We have to deal with the Hooghly water which in the rains we cannot use without filtering. We need not necessarily make bleach.

President.—We are taking it on the basis that it pays you to make your own bleach. No doubt it would increase your capital, but if it pays you it would reduce your cost of production.

Sir W. Carey.—That is true, it does.

President.—Otherwise it is rather a formidable capitalisation.

Sir W. Carey.—It is a big figure now. Paper making is always expensive.

President.—What would it cost a manufacturer in Europe, what would be his capitalisation if he had to get the same output?

Sir W. Carey.—£300,000 without allowing for his buildings or his erection or his bungalows. He would not have bungalows probably in the same way as we have here. He will have a very much smaller site than here. His railway sidings would probably cost less also. A mill at Home costing £300,000 would be a complete copy of our Titaghur Mill. Including all these additions. This is the figure given.

President.—What is the date of that?

Sir W. Carey.—10th of July.

Mr. Ginwala.—With regard to this figure you gave just now of Rs. 25,28,000: You see the block value of your machinery and plant as it is given in (d) in answer to Questions 96 and 97 is Rs. 28,26,000. It means that you practically regard your old machinery as scrap?

Sir W. Carey.—Yes.

Mr. Ginwala.—What remains now on your books is practically what you have put in?

Sir W. Carey.—Practically.

Mr. Ginwala.—And your total capital is 17·50 lakhs in ordinary shares and Rs. 8·35 lakhs in preference shares and Rs. 30 lakhs in debentures?

Sir W. Carey.—Yes.

Mr. Ginwala.—These come to Rs. 56 lakhs. Then your block value is Rs. 45 lakhs?

Sir W. Carey.—Yes.

Mr. Ginwala.—In claiming a return, you can claim it either on your block value or on your share capital, on the supposition that your assets are not very much below your capital.

Sir W. Carey.—It is certainly somewhat below.

Mr. Ginwala.—You are claiming a return on what you consider to be the present-day replacement value. You cannot have it both ways. If you claim a return on your replacement value, then you have got to show that there is going to be a substantial reduction in the cost of production. There is some reduction in your actual realised cost but it is quite another thing to say that there would be a reduction in cost commensurate with the cost of replacement.

Sir W. Carey.—We are at the present moment expecting to bring down the total works cost. We have already come down in June to a total working cost which is certainly not higher than what we have been informed by the Trade Journal as the cost of working in England, and that included making our own pulp. We have the figure of as. 3·448 as compared with 3½*d.* in England for the same month.

Mr. Ginwala.—It is a difficult question as to what we should take as your capital.

Sir W. Carey.—Foreseeing this difficulty we have sent you this extra letter.

Mr. Ginwala.—In calculating what ought to be your capital I feel this difficulty as to which of these three figures I am to take, whether to take the block value, share capital *plus* debentures or what you claim to be to-day's replacement value. If I take the replacement value then it would jump by about Rs. 100 per ton: that the business may well bear provided the cost goes down.

Sir W. Carey.—We are bringing the cost down and we expect to bring it down still further.

Mr. Ginwala.—How are you for that matter to prove that these costs will not be any higher if the plant was replaced altogether?

Sir W. Carey.—May I say this. We are informed that the price of white paper in the most modern mills at Home is 3½*d.* We cannot give you any further evidence than giving you the cost of this mill. We are working the cost to-day, in the month of June, at 3½ as. and we hope to get down by half an anna or even more eventually. The same paper is being made by the most modern mills to-day in the British Islands at 3½*d.* and it is costing us rather less than 3½ as. in the month of June. I cannot give anything further than that, I am afraid. Taking the replacement value, as we have said, at Rs. 130 lakhs, we are merely asking for an average of 8 per cent., that is to say so much for preference.

President.—I could not accept that calculation as giving a correct measure of the amount of protection required, if the object in view is merely to keep the existing paper mills alive. If the scheme of protection is planned so as to permit the establishment of new mills, then the replacement cost of the existing mills may be the best guide to the capitalization necessary per ton of output. But in that case the cost of production would be taken at a figure below yours. It would not be right to take your present works cost and the replacement cost of the fixed assets. The increased capital cost should be counter-balanced by assumed lower works costs.

Sir W. Carey.—We are facing all the time the fact that we are trying to bring ourselves into line with the third condition of the Fiscal Commission

that we must eventually stand upon our own feet, and we believe we can do it on our present mills, with some additions that we are making from time to time, and with our present *bandobust* for materials. May I say again it is quite a possibility to build a very good mill, indeed a first class paper mill, without going to this cost. I have no doubt if a man went to Sweden or Germany he might get quite a different figure to this. These were the people who built the mill originally and we went to them. It is quite possible to get a mill at a very much lower figure.

Mr. Ginwala.—About these dividends I want to know what the actual profit was and how was the allocation made during these years?

President.—What Mr. Ginwala wants is the profit to be distributed annually and the actual distribution. In arriving at the distributable profit, depreciation, interest and agency charges should be deducted from the profit shown in the balance sheet.

Sir W. Carey.—I understand that from 1917 onwards you want the total distributable profit. One point I should like to make clear, on which there were certain comments in the previous evidence, is as to the way of paying dividends to shareholders. What I wish to say is that the average dividend which has been earned up to the time when we have again ceased to pay dividends has been 12 per cent. on the ordinary capital.

Mr. Ginwala.—You paid nearly Rs. 50 lakhs in dividends, then you spent about Rs. 28 lakhs on your machinery and you had Rs. 30 lakhs in reserve?

Sir W. Carey.—Yes.

Mr. Ginwala.—Was this reserve in addition to what you spent on machinery?

Sir W. Carey.—That has since been all used in the mills in one form or another. The reserves altogether amounted in one period to something like Rs. 70 lakhs.

Mr. Ginwala.—You say in answer to Question 107 "Total reserve fund of Rs. 30 lakhs was accumulated in the years 1918 to 1921. This was built up from surplus profits during the war years and has since all been absorbed in writing off depreciation of plant and subsequent losses during the reconstruction period. The result is that our assets now stand at a proper figure."

Sir W. Carey.—The block of the mills has been written down in spite of the money that has been put into them out of the reserve, and they are still kept at a figure which is a very fair valuation. You can get that value for the mills to-day.

Mr. Ginwala.—What you mean is that you have practically brought it down to the break up value or the scrap value?

Sir W. Carey.—Yes.

Mr. Ginwala.—Then all these Rs. 30 lakhs you have lost in these two years. I take it that the total reserve fund of Rs. 30 lakhs has been exhausted?

Sir W. Carey.—It has been written off against the losses which were incurred during renovation. I am speaking of the cash losses.

Mr. Ginwala.—You say "This was built up from the surplus profits during War years and has since all been absorbed in writing off depreciation of plant and subsequent losses during the reconstruction period." I want to separate the two.

Sir W. Carey.—They are, of course, the same. The depreciation of plant referred to here is the writing down of the bamboo mill plant to the present mill.

Mr. Ginwala.—There is no bamboo mill plant here?

Sir W. Carey.—It is in Burma.

Mr. Ginwala.—What are these losses you are referring to?

Sir W. Carey.—The total loss on the 30th September 1923, which was the closing period for the last published account, was Rs. 26,99,000. That is the actual cash loss.

Mr. Ginwala.—On the business?

Sir W. Carey.—On the working of the mill.

Mr. Ginwala.—It is great deal more than that. What is this plant that you are talking of?

Sir W. Carey.—That was the plant which was purchased for preparing bamboo pulp in Burma.

Mr. Ginwala.—What was its original value?

Sir W. Carey.—Rs. 33 lakhs.

Mr. Ginwala.—What has it been written down to?

Sir W. Carey.—Rs. 15 lakhs. These Rs. 18 lakhs came from the reserve.

Mr. Ginwala.—You have got your assets?

Sir W. Carey.—We have; we have the mill, we have the plant which is waiting.

Mr. Ginwala.—Have you separated the two? Are you treating it as a separate business?

Sir W. Carey.—Absolutely. We are keeping that plant for erection if at any time we can float a company.

President.—Is it included in the block?

Sir W. Carey.—No; perfectly separate.

Mr. Ginwala.—You spent 33 odd lakhs on that?

Sir W. Carey.—Yes.

Mr. Ginwala.—What puzzles me is this. I take your 33.22 lakhs, that is the asset belonging to this business, isn't it?

Sir W. Carey.—Yes.

Mr. Ginwala.—In determining your capital account or your block value, are you going to debit this with that figure because those are assets that you have still got?

Sir W. Carey.—Yes, we still have them. It has been kept separate on purpose.

Mr. Ginwala.—This was taken out of profits?

Sir W. Carey.—Yes.

Mr. Ginwala.—It was not taken out of debentures?

Sir W. Carey.—No.

Mr. Ginwala.—I think it would be just as well if you had mentioned it in your assets.

President.—It is not really capital contributing to the output of the Titaghur Company. Therefore it is not really a part of the block with which we are actually interested.

Sir W. Carey.—That is so.

Mr. Ginwala.—But I think it is just as well to get all the correct figures.

Sir W. Carey.—You will find these in the published accounts.

Mr. Ginwala.—Did you write that off in one single year?

Sir W. Carey.—Yes.

Mr. Ginwala.—That bamboo plant is a 10,000 ton plant?

Sir W. Carey.—Yes.

Mr. Ginwala.—Is it complete?

Sir W. Carey.—Practically complete. Some of it is in Burma and some here.

Mr. Ginwala.—Does it include a chemical plant?

Sir W. Carey.—Yes, partly.

Mr. Ginwala.—Then haven't you written down too much?

Sir W. Carey.—We have written it down to 16 lakhs.

Mr. Ginwala.—That is £100,000 or little more than that.

Sir W. Carey.—In addition to that we have two mill sites, one in Rangoon, and one up the Pegu River. They are probably worth 3 or 4 lakhs of rupees.

Mr. Kale.—Why were you not able to pay your dividends in 1914, 1915 and 1916? Were there any special circumstances?

Sir W. Carey.—It was chiefly owing to foreign competition, very strong German and Scandinavian competition.

Mr. Kale.—Have you not been able to set aside what they call a dividend equalization fund?

Sir W. Carey.—We put aside a general reserve and development fund.

Mr. Kale.—I find that you have spent all these funds on developments and renovations. Would it not have been better if you had set aside a few lakhs on that account?

Sir W. Carey.—Even as it is we are not able to find money to do what we would like to do, that is to carry on developments, and unless we had developed in the way we have done, we should undoubtedly have not been in a position to reduce our cost to a carrying on figure.

Mr. Kale.—The impression one gets is that for 5 or 6 years you made profits and paid handsome dividends, but the moment you failed to make a profit you stopped paying dividends. I have not been able to understand this policy, namely, while in times of prosperity you were paying 50 per cent. and 55 per cent., the moment you fail to make a profit, you are not able to pay a dividend and then you ask for protection,—that is the general impression. If you had been more far-sighted you would have set aside a fund so that for two or three years in succession you would be able to pay, if not 50 per cent., at least 6 or 7 per cent. and you would have been able to carry on.

Sir W. Carey.—The Managing Agents are not entirely the masters in this matter.

Mr. Kale.—Did the Managing Agents put this to the shareholders and did they reject it, or also were you carried away like the shareholders?

Sir W. Carey.—At that time the shareholders complaint was that they were getting only 50 per cent.

Mr. Kale.—But don't you yourselves think that it is desirable to set aside a fund like that, so that for one or two years you might tide over a period of depression?

Sir W. Carey.—Yes, I think it is desirable.

Mr. Kale.—Then as regards the writing down of the bamboo plant. I expected that if the plant was a part of the concern taken as a whole, you should have shown it in your accounts as you had been using money out of the profits made from the concern. Your accounts do not give us a clear idea of the position of the mills taken as a whole.

Sir W. Carey.—I can say with regard to the figures that I have given in our written reply that it is so. Of course it is not quite clear in the published accounts.

Mr. Ginwala.—Why do you call this depreciation that you have written off Development Reserve?

Sir W. Carey.—It was made out of the development reserve.

IX.—COST OF PRODUCTION.

President.—Coming on now to the question of the cost of production, will you please tell us whether you still adhere to your original intention to treat this as confidential. It is very desirable, if possible, that it should be

published, and it is almost vital that the total works cost should be published. I don't see how we could make any recommendation except on the basis of the works costs.

Sir W. Carey.—You say that the Bengal Paper Mills and the India Paper Pulp Company have agreed?

President.—Both have agreed to the publication of their figures?

Sir W. Carey.—All their costs in particular detail?

President.—Yes.

Sir W. Carey.—In that case I should fall in line with them.

President.—We are much indebted to you.

President.—In Form II—this also applies to Form III—I see from your system of accounting that you don't distribute the miscellaneous and supervision charges.

Mr. Wood.—No.

President.—You practically treat them as overhead?

Mr. Wood.—Yes.

President.—One of the points I wanted to ask was this. In the supplementary statement* which you have handed in you give a certain figure as your works cost. For instance, you say for the year 1923-24 your works cost is 3.86 annas. Does that include these miscellaneous charges?

Mr. Wood.—It does.

President.—The works cost there is used in the same sense in which we use it?

Mr. Wood.—Yes. It includes everything except depreciation.

President.—We don't include that in the works cost. This shows that in 1923-24 the cost of unbleached pulp is Rs. 269 a ton.

Mr. Wood.—Yes.

President.—In order to make a fair comparison with the cost of purchased pulp, you have got to add a proportionate share of these miscellaneous charges and you have also got to add the overhead. If you are to make a fair comparison of the cost of pulp which you manufacture with the price of the imported pulp, you have to add a good deal to this figure of Rs. 269.

Mr. Wood.—I should not say a good deal.

President.—That seems to me *prima facie* to be low, having regard to the not suggesting that you ought to keep your accounts in a different way. I quite understand why you don't consider it worth while to distribute these miscellaneous charges. Nevertheless for our purpose some attempt at an approximate estimate has to be made. We have got to add to your figure of the cost of unbleached pulp some share of these miscellaneous charges included in the works cost and also of the overhead charges. Can you suggest the percentage which in your opinion would be a fair estimate?

Mr. Wood.—Our own cost is Rs. 50 just now.

President.—Never mind what the amount is. Can you get it in the form of percentage?

Mr. Wood.—We consider that 25 per cent. is a fair estimate.

President.—That seems to me *prima facie* to be low, having regard to the works cost of pulp compared to the works cost of finished paper. Even without these charges it is Rs. 269, whereas the cost of finished paper including the miscellaneous charges, etc., is Rs. 540 which is more than half to start with. So any addition to that means that more is going in. However I do not want to waste time over it.

Are you proceeding on an estimate of what the plant for making pulp costs as compared with the plant for making paper. On what basis did you arrive at 25 per cent.?

Mr. Wood.—Simply to arrive at a percentage of unbleached pulp it is the very beginning of things and is hardly necessary at all.

President.—Rs. 155 is the cost of materials and Rs. 140 is cost above materials?

Mr. Wood.—Yes.

President.—The cost above materials is not very heavy, I see.

Sir W. Carey.—We have not put any power on to that at all.

Mr. Ginwala.—You have not sold pulp at any time?

Sir W. Carey.—No.

President.—What would be the addition to be made if you add 25 per cent. of the miscellaneous charges?

Mr. Wood.—Rs. 12-8-0 for overhead and miscellaneous charges.

President.—That would bring your cost for 1923-24 to Rs. 285?

Mr. Wood.—Yes.

Sir W. Carey.—In 1923-24 the actual cost of purchased pulp was Rs. 300. Of course to-day it is lower.

President.—I was comparing this figure with the figure you gave us as the cost to-day.

Sir W. Carey.—I have explained earlier that it is on a partial year's working. It is not a full year's working.

President.—Was it in 1923-24?

Sir W. Carey.—Yes. The mills were still finishing their renovations and at the close of the season we had stocks of grass in the mills as well as in the fields. So we were unable to work the fields in 1924, that is to say, we did not have a full year's working. We have now cleared our stock. At the end of October we expect to have no stock in the mills. We have none in the fields. The cost of grass will come down gradually.

President.—On the royalty and other things?

Sir W. Carey.—Yes.

President.—The labour charges won't vary very much?

Sir W. Carey.—No, the average will not come down very much.

President.—At the present moment what is the cost of purchased pulp?

Sir W. Carey.—It is Rs. 237-8-0.

President.—Turning now to Form III, what quantity of unbleached pulp are you taking to get a ton of bleached pulp?

Sir W. Carey.—15 per cent. or Rs. 115.

President.—I worked it out at Rs. 117 and odd. That is the pulp which you yourself manufacture. The cost of purchased unbleached pulp is Rs. 318-9. On what price is that based?

Mr. Wood.—On Rs. 300 a ton.

President.—That would mean a loss of only 6 per cent.?

Mr. Wood.—Yes. Rs. 300 is the average price. It may be slightly less. I am not quite certain. We have got to take a certain month or a certain period.

President.—You don't keep any records showing the amount?

Mr. Wood.—No.

President.—My difficulty will be this that, if your Rs. 318 must be based upon the price of Rs. 300, then your loss in the process of bleaching is only 6 per cent. in the case of purchased pulp, whereas it is 17 per cent. in the case of the manufactured pulp.

Mr. Wood.—I cannot say positively that it is Rs. 300. It may be something less.

President.—After all, these calculations of cost are only approximate.

Mr. Wood.—Yes.

President.—Can they be taken as the actual figures for the year?

Mr. Wood.—Yes.

President.—Your final result in Form IV, I take it, is your actual cost?

Mr. Wood.—That is actual expenses.

President.—Let us go back to Form III. You told us that the figure Rs. 269 should be raised to Rs. 285 by the addition of overhead. At what price must the purchased pulp be so that it is exactly on the same level as the price of the pulp manufactured by you. The idea is that the two ought to be on the same level. There must be no advantage in using the one or the other. If the manufactured pulp is Rs. 285, what is the corresponding figure for the purchased pulp? It would be better to have it in sterling.

Mr. Wood.—£17-10-0.

President.—You expected that the price of imported pulp would be about that. Do you still expect that?

Mr. Wood.—We do.

President.—Apparently on this basis you are pretty nearly at the figure for the purchased pulp.

Mr. Wood.—Yes.

Sir W. Carey.—Also we are anticipating next season to improve considerably.

President.—Now looking to Form IV: as compared with the following two years, viz., 1922-23 and 1923-24, apparently you changed your practice, that is to say, you used a good deal more of the manufactured pulp than of purchased pulp.

Sir W. Carey.—That is so.

President.—With a big reduction in the total cost?

Sir W. Carey.—Yes.

President.—Am I right in inferring that you were using less manufactured pulp? Is it merely a drop in the price that induced you to change your practice?

Sir W. Carey.—I think that it is improvement in the process as well. We can boil more grass now.

President.—You are now using more grass and less purchased pulp?

Sir W. Carey.—Yes.

President.—Comparing with the pre-war figure, your costs are almost exactly double. That would naturally suggest that you ought to be able to get your costs down lower if you are to compete with imported paper. It certainly does seem that the cost of manufactured pulp has gone up out of proportion to the increases in the cost of other manufactured articles.

Sir W. Carey.—The cost has risen enormously and has now come down again.

President.—Taking the various elements of the cost of grass: by how much have railway freight gone up?

Sir W. Carey.—Until this last reduction, I should think that the increase in the long distance traffic was something like 80 per cent. and it has come back to about 50 per cent. On short distance traffic I should think that the increase must have been about 30 to 40 per cent. and it has now come back to very nearly what it was before the war.

President.—Do you mean the freight on short distance traffic on raw materials?

Sir W. Carey.—Yes. I am speaking from memory. If you wish we can check these figures.

President.—Then as regards auxiliary raw materials, what is the main cause for the drop in the price?

Sir W. Carey.—It was largely due to the fact that 1923-24 was a normal year. Neither 1921-22 nor 1922-23 was a normal year.

President.—You are making some of your own chemicals?

Sir W. Carey.—Yes.

President.—Apart from that, had you any fall in the price of other chemicals you use?

Sir W. Carey.—Yes. There has also been a drop in the price of many other things like waste paper.

Mr. Ginwala.—How can you have rags and waste paper at the paper stage?

Sir W. Carey.—I am afraid it is wrong.

President.—You mean form II is purely grass?

Mr. Wood.—Yes.

President.—Do you actually make pulp at times out of nothing but grass?

Mr. Wood.—Yes.

President.—In form IV do the auxiliary materials include cost of making pulp out of rags and so on?

Mr. Wood.—Yes. Rag and other materials are not in 'auxiliaries' in form III.

President.—Are they included in form I?

Mr. Wood.—Yes.

President.—How do you get the figure for the cost of manufacture of your bleached pulp: it includes pulp manufactured from rags?

Mr. Wood.—Form IV is the total expenses taken from our actual balance sheets divided by the number of tons made during that period.

President.—You do not keep your accounts so as to get a figure for manufactured pulp. How do you get this figure which includes pulp made from other things than grass?

Mr. Wood.—We do not put it in a form. We have got independent costs of them in the department. We do not incorporate them in the cost form in the same manner as we have done in the case of grass because they are very small items. Form IV shows what it cost us to manufacture paper from purchased pulp and grass, etc.: Forms I and IV are the same form—one is the cost per ton and the other shows the total expenses.

President.—You mean they can be connected item by item?

Mr. Wood.—Yes.

President.—If I divide Rs. 14 lakhs by the outturn of the year I should get Rs. 111, in the case of the primary raw materials. In that case the first item in form IV has to be called 'primary raw materials'?

Mr. Wood.—Yes.

President.—What is this mysterious item in No. 9 "any other single item not enumerated above. . .?"

Mr. Wood.—Brokerage and commission not connected with manufacturing costs.

Mr. Ginwala.—What happens to it in form IV?

Mr. Wood.—It is not works costs.

President.—If you leave it out in the expenditure, then you ought to compare your costs with the net price. On the other hand you treat selling charge as expenditure?

Mr. Wood.—It is more than selling charges.

President.—I take it that the permission you have given to publish your figures extends also to the supplementary memorandum? It is very important because it shows that your works costs are steadily going down.

Sir W. Carey.—If you think it is essential part of the application?

President.—I think it is important.

Sir W. Carey.—On that understanding we have no objection.

President.—What have you included to get from your works cost to the total costs? Look at the supplementary memorandum.

Sir W. Carey.—Head office charges.

President.—All I want to know is whether agents' commission has been included.

Sir W. Carey.—No.

President.—How do you arrive at it when there is no profit?

Sir W. Carey.—There is a minimum commission of Rs. 2,000 a month. The rest is commission on profit only.

President.—How do you get the figure?

Sir W. Carey.—It is simply an office allowance.

President.—Your return on capital, is it based on Rs. 130 lakhs?

Sir W. Carey.—Yes. At 8 per cent.

President.—And the depreciation that you have given is on the basis of the Rs. 3 lakhs?

Sir W. Carey.—We take it on the income-tax allowance. But at present depreciation is not very urgent because we have already written the mills down so very largely.

President.—I want to know whether this depreciation is based on the Rs. 3 lakhs, which the income-tax people are allowing.

Sir W. Carey.—Yes.

President.—It is satisfactory to notice that your total cost for the last three months has been less than the average selling price. Are these gross prices?

Sir W. Carey.—This is after paying all commission.

President.—Have you included in your selling charges selling agent's commission?

Sir W. Carey.—This is a nett figure after deducting the agent's commission.

President.—Does it appear in the total cost?

Sir W. Carey.—No. It takes the form of a discount in the sales bill.

Mr. Ginwala.—In form I, you have got the total cost of the raw materials at Rs. 17 lakhs and purchased pulp at Rs. 16 lakhs. They are really half and half. On these figures there would rather be an objection to the claim for protection, for you are using nearly half of imported pulp for your manufacture. Therefore it is essential that you should eliminate that from your raw materials altogether and get the works cost on your natural raw material, grass, etc. On that basis I want to get at the works cost. The trouble is that in form II you have put in rags and other things in the auxiliary raw materials.

Sir W. Carey.—Only grass.

Mr. Ginwala.—That is right. The figure Rs. 350 that you have got in form IV (b) is on the basis of Rs. 269 unbleached in form II, and Rs. 352 for bleached pulp in form III?

Sir W. Carey.—Yes.

Mr. Ginwala.—That Rs. 350 is near enough, but what I cannot understand is that you use so much more grass that you reduce the cost of above materials—see form IV (a). You must treat these two items as one—the total being Rs. 223. The total cost per ton is Rs. 540. Now look at form IV (b).

President.—A great deal of these various costs—mill labour, auxiliary materials and so on—has gone into the manufacture of pulp.

Mr. Ginwala.—In form IV (a) and (b) these auxiliary raw materials are only chemicals?

Sir W. Carey.—Yes.

Mr. Ginwala.—I cannot make a comparison as to what is going to happen when you use your own pulp.

Sir W. Carey.—Form IV (b) will give you that.

Mr. Ginwala.—I cannot make out where the economy or expenditure is coming in in that case? What I wanted to know was the effect of your having to use your own pulp. You can make paper from grass only without using rags, can't you?

Sir W. Carey.—Yes.

Mr. Ginwala.—And you do make that?

Mr. Wood.—No, very seldom without something in it.

Mr. Ginwala.—When you do not use imported pulp?

Mr. Wood.—Quite so.

Mr. Ginwala.—All I wanted to know was, what was going to happen.

Mr. Wood.—In Form IV (b) we have not put in any charges for clay. In ordinary practice we use clay to make up the loss. We have not included any loss.

Mr. Ginwala.—That was what I was going to ask you. You have used considerably more pulp.

Mr. Wood.—We have put in the pulp and taken off the chemicals.

President.—Does that make it more expensive? This price is a bit too high in practical working.

Mr. Ginwala.—It works out to Rs. 69 a ton for grass.

Mr. Wood.—Yes.

President.—According to the figures given by Sir W. Carey, the price of grass would be Rs. 54 a ton, at the mills.

Mr. Wood.—Quite so.

President.—And you take $2\frac{1}{2}$ tons, that makes it Rs. 122 roughly?

Mr. Wood.—Yes.

President.—Last year your actual figure was Rs. 60 a ton. You must have been using $2\frac{1}{2}$ tons. The figure you have given here is Rs. 155, that is, just $2\frac{1}{2}$ tons which means about Rs. 60.

Mr. Ginwala.—If you take $2\frac{1}{2}$ tons at Rs. 54 it comes to Rs. 122?

Mr. Wood.—Yes.

Mr. Ginwala.—On that basis you can reduce that figure of Rs. 269 by nearly Rs. 30, so that it would be Rs. 239 unbleached and it will go on diminishing in proportion.

Mr. Wood.—We anticipate getting grass about 7 rupees cheaper, at about Rs. 22 in the end. 3 tons of grass give 1 ton of paper, that is Rs. 21 to Rs. 22.

Sir W. Carey.—Rs. 7 a ton of grass would give Rs. 21 a ton of paper.

Mr. Ginwala.—Then this estimate of Rs. 599 comes down to Rs. 577?

Mr. Wood.—Yes.

Mr. Ginwala.—You will be still worse off in that case also by Rs. 37 a ton compared with what you are now.

Mr. Wood.—Exactly, but we have reduced our costs from Rs. 269 to Rs. 241 which makes a difference.

President.—That will affect equally the estimate of cost of paper made from all materials and paper made from grass.

Mr. Wood.—We may improve the process and save the chemicals.

President.—I think you understand now what Mr. Ginwala is aiming at. You might, if you like, reconsider the form. I do not know whether we can assume that you knew what purpose it would be used for.

Sir W. Carey.—You are really trying to make a comparison between paper made from grass as opposed to paper from imported pulp?

Mr. Ginwala.—Yes. In that case if you are really using rags to give some chemical property, then you are right in calling it an auxiliary raw material, but if you are making paper from rags then it becomes a primary raw material.

Sir W. Carey.—I think we have come to an understanding. Rags, waste paper, hemp, etc., are all to be considered as primary.

Mr. Ginwala.—Then you will work out that form on your actual experience as far as you have got it now. Then of course you have told us that you expect economies in other directions. You have mentioned somewhere that there would be a reduction of 10 or 12 per cent. From the supplementary statement that you have put in, I see that there is going to be a reduction of half an anna, that is about 12 per cent. really, but what I want to know is where the reduction is going to come in. It may be fuel.

Sir W. Carey.—We anticipate a reduction in the total consumption of coal because we have a new plant since July.

President.—I think what Mr. Ginwala would like to have is, as far as you can give it, a comparison of your last figure for June with the figure you think you will get down to, showing that owing to improvement in coal consumption there will be a reduction of so much, and for some other reason it would be so much. Would that be possible at all?

Sir W. Carey.—We will do our best to give it.* There are several improved devices actually: for reduction in labour, getting back waste and making it into paper, and that sort of thing which are gradually coming into force.

Mr. Ginwala.—You will give us those for 1923-24 on that basis. Then you can give your figures for June 1924 on the same basis, and this revised form as to what economies you still anticipate and then you can explain in a short note at the bottom that this is due to so and so.

Sir W. Carey.—May I ask you what is the importance of our giving this detail?

Mr. Ginwala.—To enable us to determine what measure of protection will be necessary, if it is granted.

Sir W. Carey.—You are trying to get a figure on grass as against one if we made paper from purchased pulp only?

President.—If that is the best you can give, let us have it on that basis. But I think Mr. Ginwala would like to know how the figures will be affected by the savings you are going to make.

Sir W. Carey.—Yes, I understand.

Mr. Ginwala.—On that grass basis what you have got as actuals and what you would get if economy is effected.

How do you allocate these various charges to your chemicals? Is it a rough and ready method of doing the thing or have you got a system?

Sir W. Carey.—These are actual charges. We get everything separate.

Mr. Ginwala.—You have not got a separate plant, for instance, for power and fuel. Have you got a separate plant altogether for power and fuel?

Sir W. Carey.—No.

Mr. Ginwala.—How do you charge that?

Sir W. Carey.—We keep separate records. This is all fixed up with the units used in the various departments as compared with the total expense in the department and the total power generated in the department.

Mr. Ginwala.—How do you get this figure for power and fuel for the recovery of soda?

*Statement XI, para. (4).

Sir W. Carey.—We had got separate steam boilers for that department. We divided the total expense on steam boilers in that department and debited half the cost to this department and half to the Recovery department.

Mr. Ginwala.—At what rate would you charge the pulp, for instance, for this department?

Sir W. Carey.—10 cwts. of coal *plus* handling charges.

Mr. Ginwala.—At what rate will you charge for the caustic soda that you use in your unbleached pulp?

Sir W. Carey.—Actual cost of production.

Mr. Ginwala.—Is that what is given in this statement?

Sir W. Carey.—Yes.

Mr. Ginwala.—Do you give credit for the recoveries in these forms or in the other forms?

Sir W. Carey.—We don't show it here. We do not charge the recovery plant for anything that comes back from the digester.

President.—Only the nett cost is shown originally instead of showing the gross cost with the recovery later on.

Mr. Ginwala.—I see. How much do you recover?

Mr. Wood.—40 per cent.

Mr. Ginwala.—Don't you think that you ought to recover more?

Mr. Wood.—At present we are trying a new system, or rather we are improving our chemical consumption. We have, as a matter of fact, recovered 75 to 80 per cent. and, as Sir Willoughby Carey has just stated, we are at present working on an improved and more modern system which reduces the actual consumption of caustic.

Mr. Ginwala.—Without recovery?

Mr. Wood.—Yes. It gives less return in the recovery plant.

Mr. Ginwala.—Does not it mean that in that case the recovery plant is more expensive to use?

Mr. Wood.—You cannot take it away even if you get a more modern process.

Mr. Ginwala.—Supposing your process succeeds entirely, then you can do away with the plant entirely?

Mr. Wood.—We could do with a smaller plant.

Mr. Ginwala.—It may be that you do not want to recover, or there is something in the use of the recovery plant that enables you to save a good deal.

Sir W. Carey.—We have got an efficient recovery plant. We are getting into a more modern process.

Mr. Ginwala.—What are these figures you have given in the last form—total cost of bleach and so on?

Sir W. Carey.—That is our chemical plant.

Mr. Ginwala.—They do not give the cost.

Sir W. Carey.—Cost of bleach was Rs. 130 in 1922-23 and Rs. 160 in 1923-24.

President.—What are the details, cost of caustic or cost of bleach or for both?

Sir W. Carey.—Cost of both caustic and bleach.

Mr. Ginwala.—Your cost for 1923-24 was Rs. 116 for bleach and Rs. 125 for caustic. What was the price of the imported material?

Sir W. Carey.—In the first place we do not import any, but taking it from the Trade Review we find that the cost of bleach is Rs. 182-8 as against Rs. 116 and caustic soda Rs. 230 a ton.

X.—MANUFACTURER'S PROFITS.

Mr. Kale.—You have been calculating a return of Rs. 130 lakhs. I wanted to ask you whether it was a fair way of doing it. After all, if you want to pay the shareholders in any industry, the fair way of doing it would be to allow for depreciation, interest upon your working capital, interest upon debentures and a reasonable rate of profit on capital?

Sir W. Carey.—Yes.

Mr. Kale.—I do not understand why you should calculate your return on the whole block value, that is, Rs. 153 lakhs.

Sir W. Carey.—We take 8 per cent. on Rs. 130 lakhs.

Mr. Kale.—I don't understand why you should take this block value rather than capital. Have the shareholders a right to expect anything after you have provided for everything? That is my point.

Sir W. Carey.—What we have taken is a fair over-all rate of interest. Interest has to be paid on the working capital. We say further down "Although a greater yield is naturally expected on ordinary shares, debentures, local and preference capital should require a lesser figure" and the difference there will make up on the comparatively small amount of ordinary shares That is the line of argument we have taken.

Mr. Kale.—Your debentures amount to Rs. 30 lakhs?

Sir W. Carey.—Yes.

Mr. Kale.—And the ordinary and preference shares amount to about Rs. 26 lakhs?

Sir W. Carey.—Yes.

President.—Your general principle is that the capital can be raised at about 8 per cent.?

Sir W. Carey.—That is really the sort of line we took. We are taking only Rs. 130 lakhs, whereas the capital now employed in the business is Rs. 153 lakhs.

Mr. Kale.—You are including in that figure not only the debentures and the share capital but also something else?

Sir W. Carey.—We are including our losses which we have written off.

Mr. Kale.—Are you entitled to do that?

Sir W. Carey.—We have cut that off.

President.—What do you mean by the full capital employed in the business? Is that block value *plus* the working capital?

Sir W. Carey.—We have taken our block value and the stocks that we are obliged to carry in advance.

President.—Does this Rs. 1,53,28,000 include the working capital?

Sir W. Carey.—Yes.

President.—In which case you must cut out Rs. 70 lakhs. The balance is nothing like the replacement value of your block. What is the grand total of your balance sheet?

Sir W. Carey.—It is Rs. 1,53 lakhs. But we have deducted our losses.

Mr. Kale.—I don't know how you arrived at this figure.

Sir W. Carey.—We have only suggested Rs. 130 lakhs as a re-capitalisation of the Company.

Mr. Kale.—In that case you are not suggesting a particular rate on the basis of your actual figures?

Sir W. Carey.—No. We are only suggesting it as a re-capitalisation including the present capital.

Mr. Kale.—I thought that you were dealing with actual figures.

Sir W. Carey.—No.

Mr. Kale.—Suppose your actual figures were taken and your debentures, ordinary and preference shares and also the working capital were taken at 8 or 10 per cent., on that basis the return would be lower than what you have taken?

Sir W. Carey.—We have got to provide the working capital.

Mr. Kale.—Still the total will not be so much?

Sir W. Carey.—That is why we have taken it at Rs. 130 lakhs.

XI.—CLAIM FOR PROTECTION.

Mr. Kale.—You have drawn a comparison between the paper industry and the steel industry. But you have not taken into account the fact that in steel India has a special advantage of having an iron ore which is of superior quality to what you have in any other country. That kind of advantage you don't enjoy in India in the paper industry. There is no analogy between the paper and steel industries so far as raw materials are concerned.

Sir W. Carey.—The vast quantities of grass that we have are of very good quality and superior to wood fibres.

Mr. Kale.—Are they of superior quality to what they have in other countries?

Sir W. Carey.—As far as *sabai* grass is concerned, in quality it is very nearly equal in our view to other grasses like *Esparto*. Of course there is bamboo, but it has still to be proved. The assumption is that it is of very good quality. I mean that raw materials exist in the country.

Mr. Kale.—Quite true. But I want to draw your attention to the fact that India has no special advantage over other countries.

Sir W. Carey.—The advantage is in the fact that raw materials are in the country. All the raw materials necessary for the paper manufacture either exist or can be made in the country.

Mr. Kale.—That is quite true. But the superiority in that connection is not so great as to allow you to have higher costs in other items or other elements. That is my point.

Sir W. Carey.—That is so.

Mr. Kale.—As regards bamboo, it may be so; but we do not know.

Sir W. Carey.—At least we hope so.

Mr. Ginwala.—Supposing the Board comes to the conclusion that the future of the industry lies in the development of the bamboo pulp and bamboo paper, it must then surely work out figures on the bamboo basis. What have you got to say to that from that point of view? Supposing we recommend protection and we find that the bamboo proposition is better, then we must find what the cost of production is on that basis. If we base our recommendations on that, and the cost is very much lower, what have you got to say to that? It is a point which may arise. Of course we have not gone into the thing fully yet. Nor have we formed any opinion on that.

Sir W. Carey.—I take it, at any rate, that time would be given to the grass mills to change over.

Mr. Ginwala.—You accept that as a principle of our recommendations, apart from personal considerations, do you not? You would not expect us to make separate recommendations for grass paper?

Sir W. Carey.—I suppose not.

Mr. Ginwala.—In that case, you say you ought to have some time. How long would it take to replace your plant so that you can change over to bamboo?

Sir W. Carey.—A couple of years.

Mr. Ginwala.—That is not a very long time.

Evidence of Sir Willoughby Carey, Mr. E. C. Benthall, Mr. E. S. Tarlton, Mr. P. W. Mellor, Mr. A. W. Wood, Mr. Goss, and Mr. Dutt, recorded at Calcutta, on the 17th December 1924.

President.—The point with which I should like to begin the examination to-day is the case that has been put forward for protection and the objections to the claim which we have received from different quarters during the course of our enquiry. I think the case you put forward may be briefly stated in this way, that the Paper industry is suffering from high costs and low prices. The manufacturers expect that costs will come down and prices will go up, and protection is asked for in order that the industry may get through the bad years. Is that in substance an accurate statement of your case?

Mr. Tarlton.—Yes.

President.—Let us begin with the high costs. It was urged before us that in the case of paper manufactured in India the high costs are due to obsolete machinery, inefficient management and expensive raw materials. Stated in that general way it is difficult to bring the complaints to an issue, but there is one point to which our attention has been drawn, and that is the quality of the paper turned out by the grass mills. We have heard a good many complaints about that, and we have had evidence on the subject from Mr. Ascoli, the Controller of Printing. The points in which the paper made from grass is stated to be defective are most conveniently summarized in the representation of the Calcutta Paper Traders' Association. The four points they mention are:—

- (a) The finish is poor.
- (b) The surface is often spotted, dirty and uneven.
- (c) The outturn is not uniform and dependable.
- (d) The colour is not always up to mark and liable to deteriorate quickly.

Let us begin first with the surface. Mr. Ascoli laid special stress on that, and told us that the surface of the grass paper was—not invariably, but frequently—spotted and dirty. What would be your reply to that?

Mr. Mellor.—Our best reply to that is that the Tariff Board have got samples of our paper before them, if you choose to see them yourselves.

President.—I have no doubt that you can produce excellent samples. But the charge is that you do not commonly make paper of that quality; that is the point you have got to meet. It is not an answer to the complaint that you frequently produce an unsatisfactory quality of paper, to display a paper and say “this is what we have made.” That is no proof that you do not make unsatisfactory paper at times.

Mr. Mellor.—I may say that wherever grass is used these specks are met with, it cannot entirely be eliminated. There is a reference to that in the last issue of the Paper Trades Review.

President.—Is it your contention that the Esparto paper made in England possesses the same defects to a certain extent—that the surface is spotted and dirty—and that it is common to find in a consignment spotted and dirty sheets?

Mr. Benthall.—Not exactly, because they do not use such a large percentage of grass as ourselves.

President.—For the moment we are not concerned with the reasons. Is it your contention that the British Esparto paper suffers from this particular defect?

Mr. Tarlton.—Not to the same extent as it is in India, due to the dirt that is carried from the fields. We admit that our paper has been spotted in the past, but we have now brought in plant and machinery whereby we can clean the grass, and we have improved our paper very considerably and shall continue to improve until we have achieved what we may say is the quality of the stuff which is sent out from Home.

President.—In the first place, I gather that you do admit that the paper that you have actually been turning out has not been altogether satisfactory in this respect?

Mr. Tarlton.—Yes.

President.—But you believe that you are effecting an improvement and you hope to make further improvements?

Mr. Tarlton.—We have already made tremendous improvements, and immediately our new plant, which is in the course of installation, is effective, I think we shall have got over that trouble.

Mr. Ginwala.—What is that new plant intended for?

Mr. Tarlton.—These are strainers for taking out the dirt, leaves, etc., from the grass.

Mr. Ginwala.—The suggestion is that you have been manufacturing paper for the last 30 years, but the quality of the paper has not improved as it might have done and, if protection is given, it may be that the quality would still deteriorate.

Mr. Tarlton.—We have no reason to apprehend that. We are adding this new plant—the big plant is not operating at the moment but it will be within a month or six weeks—and we think we shall be able to overcome all that trouble, and I can but repeat that we have made considerable improvements in the quality of the paper by the action we have already taken.

Mr. Ginwala.—It is recent evidence which we are talking of.

Mr. Benthall.—It is evidence against the complaint about the quality of the paper.

President.—Is not this spotty surface due to the presence of impurities in the grass as it arrives at the mill?

Mr. Tarlton.—Yes.

President.—And the failure to remove it completely?

Mr. Tarlton.—Quite so.

President.—But will not the introduction of this new machinery for cleaning the material increase the cost of manufacture?

Mr. Tarlton.—No, it won't increase the cost. This plant we have already taken into consideration in the figures that have been put before you. The plant is budgeted for, and all we have to do is to link it up with the driving arrangements. We have nothing more to spend in the shape of power for driving this plant.

President.—I should like to say, as regards the Esparto paper, that your statement about that has come to me as something of a surprise, because there has been no suggestion hitherto that Esparto was subject to this particular defect, and we have had it in evidence—certainly from one manufacturer—that the Esparto as it arrives in the mill is a far cleaner substance and freer from impurities than *sabai* grass is. But nevertheless the British mills have for a very long time taken far more stringent measures to remove such impurities as there are than have been taken in the Indian mills.

Mr. Tarlton.—We agree that this is the case and we are now taking the same action.

President.—I feel considerable hesitation in accepting the statement that this is a common defect in Esparto paper.

Mr. Mellor.—They have always to be very careful about it. They have their machines to get the dirt out. Even to-day there is considerable trouble.

President.—The machine you have installed is still untried machinery and it has yet to prove whether it can produce the result.

Mr. Tarlton.—It is of approved design.

President.—I take it that this is machinery that has hitherto been used for cleaning Esparto grass. It may be that, if there is a much higher percentage of impurities in the grass, the machinery will at any rate not be so effective.

Mr. Mellor.—That can be overcome by increasing the surface area of the plant that is operating.

President.—It can be overcome, but the point is that it has still got to be tried.

Mr. Goss.—During the last year I think the quality has much improved because in a market like Bombay, where we have been practically selling nothing before, we are selling about 100 tons a month, although previously it was practically all imported paper. Several merchants in Bombay have come forward to buy from us, and that shows that our quality has improved. Formerly they would not buy from us at all. They are now getting paper from Calcutta to Bombay in fairly large quantities.

President.—Well the Calcutta Paper Traders' Association admits this. They say "We take this opportunity to state that for the past two years the country mills are trying to improve the quality of their papers and occasionally a lot comes to our hand free from the defects mentioned; but this improvement, we hear, is due to their mixing larger and larger proportions of imported sulphite pulp with their grass pulp."

Mr. Mellor.—The point is that they base their remarks on the Calcutta market alone. In the Calcutta market the demand is for bulky paper. In a market like Bombay the demand is for a highly finished paper and they do not mind at all about the bulk of the paper. So we can give a good quality of paper in Bombay which is much nearer the quality they want.

President.—But the Paper Traders' Association give as the reason why imported paper comes into Calcutta the fact that it possesses superior finish, a better surface and so on.

Mr. Goss.—We are selling against imported paper in Bombay. It is very difficult to give both bulk and finish. With superior finish you lose in bulk. If we give a superior finish they complain that the bulk is not so good. It is very difficult to give it, because finish always decreases the bulk of the paper. If they want finish we can give it, but they want bulk also.

President.—The people in the Calcutta area who buy imported paper are buying a paper which has not got bulk but has got superior finish and so on. Why do they buy it?

Mr. Goss.—They buy at the present time because they are getting a better price, that is one reason.

President.—Quite clearly, if a considerable quantity of paper is coming into Calcutta, one must presume that a certain class of consumers want this quality.

Mr. Mellor.—I am afraid at the present time they are making a better profit on imported paper than on the Indian paper.

President.—After all, it is a question of what the consumer wants. Take the printing presses in India. They know what they want: You desire to displace a considerable proportion of the imported paper that is coming in, but one must presume that the people who buy this imported paper like it.

Mr. Tarlton.—Or because it is cheaper.

President.—It has been put very clearly in this representation of the Calcutta Paper Traders' Association, and personally I don't feel that you

can say that there are no consumers on this side of India who want the qualities which the imported paper possesses.

Mr. Benthall.—We are doing our best to meet that demand by improving the quality of our paper.

President.—Do you admit that in the past the finish of the paper turned out by the grass mills has been poor?

Mr. Goss.—I should say that during the last two years the quality has been gradually improving at the mills.

President.—That means that there was room for improvement two years ago?

Mr. Tarlton.—Yes.

President.—What would you ascribe the poor finish to, two years ago let us say?

Mr. Tarlton.—It would be more or less due to the poor raw material coming in.

President.—Would that be chiefly responsible for the poor finish?

Mr. Tarlton.—Very largely responsible for it.

President.—Has the method of manufacture anything to do it?

Mr. Tarlton.—We have not had time to adjust the machines. The machines had been run constantly right through from the war and we have had no time to adjust the machines, and there are many points in that direction that can be shown to prove that for some of the poor paper turned out the machines were largely responsible.

President.—Take this complaint about the colour. What have you got to say to that?

Mr. Goss.—I should say that it is entirely wrong. In my experience of the English and Indian paper, I think the colour of the Indian paper lasts quite as long, and that is borne out by the fact that people who want to buy paper which is to last for years, for religious publications, etc., go for the Indian paper because it is lasting in its effect.

President.—A paper may be very lasting and yet its colour may go off.

Mr. Goss.—When these people buy for these publications Indian paper, they naturally buy the paper whose colour lasts the longest.

President.—Then you don't admit that it is a fair criticism?

Mr. Tarlton.—I don't admit that it is a fair criticism as regards colour. We have not had any complaints on the line you indicate.

President.—Then the fourth point is that the outturn is not uniform and dependable. We have been told that the paper dealers, when they sell Indian paper, always make it a condition of the sale that they guarantee nothing; they won't guarantee that it will be up to sample.

Mr. Goss.—In the English mills they have always one machine running all the time, and they have a much better opportunity of having one uniform quality. If we could get a fair run on the machine we could work on the same principle and keep one machine running all the time, which would tend to make the quality much more uniform.

President.—You admit that there is something in this criticism?

Mr. Goss.—There is certain truth in the criticism about the uniformity, but it is a thing in which protection will help, because by getting longer run on the machines we would be able to make the paper much more uniform.

President.—Mr. Ascoli drew special attention to his difficulty in printing, that if there were constant variations in the thickness, that might interfere with the printing. Messrs. Thacker Spink and Company also drew our attention to this.

Mr. Benthall.—That also has now improved on account of the buffing of the machine rolls.

Mr. Tarlton.—Possibly the Controller would see to-day that our uniformity has been maintained much better during the last two or three months than what it was six months ago.

President.—When we examined Mr. Ascoli he did mention that. One particular point about uniformity is that there is a large proportion of defective sheets that turn up in a consignment, that is to say, every now and then a defective sheet turns up, and before the printing machine can be stopped another sheet has gone in and is spoiled. He said that appreciably increased the cost of printing. He admitted that in the case of imported paper they found defective sheets also, but the proportion was very much higher in the case of Indian paper.

Mr. Tarlton.—We had that complaint at the beginning, but we have had no complaints lately.

Mr. Mellor.—That is due to defects in the finishing room.

President.—I wanted to mention it because Mr. Ascoli specially referred to it.

Mr. Tarlton.—We did have rejections before, but that has also been very considerably improved.

President.—There is another point which comes up in this connection. Mr. Ascoli told us that this year he had been compelled to reject a great deal more paper produced by the Indian mills than he had ever done before.

Mr. Tarlton.—That is because he has advanced the standard of the quality of paper they are buying to-day than what he bought two years ago.

President.—We asked Mr. Ascoli about that point and he said he did not think that the standard has been materially raised.

Mr. Mellor.—They have raised the standard. We know our standard is very much higher than it has been during the last three or four years. There is no doubt about it that he has definitely raised the standard of paper.

President.—Incidentally I think the questionnaire we issued to the manufacturing firms originally was printed on Titaghur paper that was purchased some time ago, and Mr. Ascoli admitted that, if that paper were sent in to-day, it would be immediately sent back to the mills. I mention this for the reason that it is to some extent evident that the standard is higher now.

Mr. Mellor.—He made certain objections on certain tests which he used, which we never had before. We never considered this form of test important.

President.—What was the test which the rejected paper failed to satisfy?

Mr. Mellor.—It was the folding test. We never considered that as important.

President.—In that case what one must assume is that the standard is rising faster than your improvement.

Mr. Tarlton.—We are now catching up.

President.—I want to go back to paragraph 14 of the Calcutta Paper Traders' Association in which they say that the improvement is due to using a larger proportion of sulphite pulp. You are no doubt using more sulphite pulp than you were during the war, because it must have been difficult to get sulphite pulp at that time.

Mr. Tarlton.—That is right.

President.—As compared with before the war, have you been using more sulphite pulp during the last three years?

Mr. Tarlton.—We have been using less. We are endeavouring to use more and more grass.

President.—One of you said just now, as regards the Esparto paper, that it would be less spotty and so on than yours because they use less grass pulp. Therefore, if that defect comes from the grass as a material, it almost necessarily follows that the more sulphite you use, the less that defect will be apparent. I gather, however, that the improvement you have been able to

effect during the last two years is not due to using more sulphite pulp, but to getting the grass cleaner.

Mr. Tarlton.—We are cleaning the grass better.

President.—I do not think we have ever had it quite clearly stated for what reasons you use a proportion of wood pulp. We have been told that it is done for technical reasons. If they are very technical, you won't succeed in making us understand. But would it be possible for you, without going into minute technical details, to indicate the kind of qualities that the use of wood pulp produces? What quality do you get by adding a proportion of wood pulp which you cannot get on straight grass?

Mr. Tarlton.—For instance, to make the Bank paper rattle we have to use a proportion of wood pulp.

President.—Tell us more about the rattling quality. We have had it referred in the evidence. Why is it necessary that paper should rattle? Is it just a fad or what? It must represent some quality in the paper which is more valuable than the sound. Does wood pulp rattle more easily than grass?

Mr. Goss.—Yes. The grass would tend to give a better writing paper than Bank paper.

President.—Is there any other quality that the wood pulp gives you?

Mr. Tarlton.—One of the reasons why we used wood pulp was that our boiling plant was not sufficient to deal with the full quantities of grass. That is now being remedied.

President.—There have been times, have there not, when imported pulp was cheaper than the pulp you could make from grass?

Mr. Tarlton.—Quite so.

President.—Is there any other quality? Is it easier to get a good finish, to get a glazed surface or any thing of that kind?

Mr. Mellor.—I don't think that wood pulp affects the surface very much.

President.—Looking at the evidence of the Calcutta Paper Traders' Association they say that your paper is strong and the bulk is good and that is why a certain class of consumers prefer it. Then they mentioned the other qualities, such as a good finish and so on, which the imported paper has. The point is just this. One would imagine when bulk and strength were not so important in a particular kind of paper, and when finish and the surface were important, you would use a larger proportion of wood pulp. I am putting this entirely as a question. Let me put it in this way. You told us the consumer in Bombay wanted a rather different quality than the consumer in Calcutta. To get this quality do you use more wood pulp in manufacturing paper for the Bombay market than you do for the Calcutta market?

Mr. Mellor.—We use more loading in the paper sold in the Bombay market.

President.—But not more wood pulp?

Mr. Mellor.—No, as regards the wood pulp. The loading decreases the strength of the paper. By putting more loading we get a better finish. The Bombay merchants don't care at all about the strength of the paper. They want a highly finished paper. Bombay standard is quite different to the Calcutta standard as regards their demand.

President.—You use wood pulp when you are short of grass and you also use it when you want the paper to rattle. Sometimes it is more economical. Are these literally all the reasons or are there any more?

Mr. Wood.—The mixture makes a good working finish. There is hardly any paper without wood pulp.

President.—What is the minimum percentage of wood pulp that you would use?

Mr. Wood.—Anything from 5 to 10 per cent. It makes it easy to manufacture.

President.—Does it assist when the paper gets on to the machine?

Mr. Wood.—It is of assistance when it passes from the liquid stage to the dry stage. If we have got all grass it is very difficult to get it through the rollers.

President.—Does that really complete the statement of the need for using wood pulp? You are using something in addition to the grass.

Mr. Wood.—That is so.

President.—I understand it is your intention to use as much grass as possible in place of the wood pulp you are using now.

Mr. Tarlton.—Yes.

Mr. Ginwala.—In that case, assuming that other things remain the same, is not the quality of the paper likely to deteriorate?

Mr. Wood.—I don't think so.

Mr. Ginwala.—If it is once admitted that this wood pulp is used to improve the quality of the paper, does it not follow that, if you do away with wood pulp altogether and use more grass pulp, the quality to that extent would deteriorate, other things being equal?

Mr. Tarlton.—We have not attempted that. What we said was it is easier to work the grass with an addition of wood pulp.

Mr. Ginwala.—In what respect?

Mr. Tarlton.—In forming the paper from the wet stage to the dry stage.

Mr. Ginwala.—Would it not affect the quality of the paper?

Sir W. Carey.—Not necessarily.

Mr. Ginwala.—Is it your contention that the wood pulp does not affect the quality of your paper?

Sir W. Carey.—What it seems to me from Mr. Ginwala's question is that he is following the percentage of wood pulp in the paper and the effect it has upon the paper. Is that the idea?

Mr. Ginwala.—If you say that the wood pulp does not make any difference to the quality of the paper, that is another matter.

Sir W. Carey.—To a certain extent it does alter the quality of paper. We will put it that way.

Mr. Ginwala.—Does it improve the quality of the paper in respect of the defects which we were discussing?

Mr. Wood.—Wood pulp reduces the bulk.

Mr. Ginwala.—All I want to know is what relation has wood pulp to these defects?

Sir W. Carey.—As regards (a) and (b) it might improve it of course. With regard to (c) and (d) it is not necessary at all. It depends on other factors.

Mr. Ginwala.—As regards (a) and (b), if you do not use wood pulp at all and use only grass pulp, would not those defects be accentuated?

Sir W. Carey.—Our feeling is that this and other evidence that has been put up is based on past experience and not upon present working either in our own or any other grass mills.

Mr. Ginwala.—We speak with reference to one particular item. Let us take two years ago. It was admitted by your representatives that these defects did exist.

Sir W. Carey.—Yes.

Mr. Ginwala.—Supposing you don't use any wood pulp at all, but use all grass pulp, would not these defects be accentuated?

Sir W. Carey.—Probably then.

Mr. Ginwala.—These improvements you are talking about, if they take place, are well and good. At present we are speaking of what you expect.

But supposing these expectations are not realised may I take it that, if you discontinue the use of wood pulp, these defects may be accentuated?

Sir W. Carey.—If the improvements were not realised, it would probably be so.

Mr. Tarlton.—In putting that question it is understood that the percentage of pulp as mixed with grass is very low indeed.

Mr. Ginwala.—It was not very low.

President.—Let us take the quantity of wood pulp used in 1923-24.

Mr. Wood.—5,964 tons.

President.—That is 40 per cent. of your outturn of paper.

Mr. Wood.—In 1914 it was 6,952.

President.—That is almost the same proportion or a little lower.

Mr. Ginwala.—That is not a very small percentage.

Mr. Tarlton.—As against that I would like to point out that in 1914 when we used 6,952 tons of wood pulp we used 17,283 tons of grass. In using 5,964 tons in 1923-24 we used 21,400 tons of grass.

President.—Then you must have used a smaller quantity of rags, waste paper, etc. Taking it in round figures, when you made 18,500 tons of paper in 1914 you used 7,000 tons of wood pulp, and for 15,000 tons of paper you used 6,000 tons of wood pulp. These are almost exactly the same proportions.

Mr. Wood.—Yes.

Mr. Ginwala.—I will give you the figures which show the comparison better. In enclosure No. XII you say that the total quantity of manufactured pulp was 8,671 tons, against which you used 5,964 tons of wood pulp. That is a big percentage.

Mr. Wood.—On the top of that we have waste paper, clay and so on.

Mr. Ginwala.—The pulp that you manufacture contains a certain proportion of grass, and a certain proportion of rags and waste paper.

Mr. Wood.—Exactly so.

Mr. Ginwala.—Does it not also show that the proportion of wood pulp to grass pulp is really higher than the figures indicate? If these 8,600 tons include a certain proportion of grass as well as of rags and waste paper, then it is possible that you may have used nearly 50 per cent. of wood pulp and 50 per cent. of grass pulp.

Mr. Wood.—55 per cent. of the total paper is grass.

Mr. Ginwala.—And 45 per cent. wood?

Mr. Wood.—About 35 per cent. wood pulp, 55 per cent. grass and 10 per cent. waste paper.

President.—That brings us on to the point that it is not a small percentage of wood pulp that you are using.

Sir W. Carey.—The last two years have been exceptionally bad in the supply of grass. The grass was short and of poor quality.

Mr. Ginwala.—If you had to substitute for this nearly 6,000 tons of wood pulp more grass pulp, the difficulty may increase.

Mr. Benthall.—The quality of the grass might improve.

Mr. Tarlton.—The quality of the grass has definitely improved.

Mr. Ginwala.—You will require very much more of grass.

Sir W. Carey.—If we cut out the wood pulp we will have to use more grass pulp. We consider that it is advantageous.

Mr. Tarlton.—That is our object.

Mr. Ginwala.—By eliminating this 35 per cent. of wood pulp and using more grass, do you think you will be able to maintain the quality of paper?

Sir W. Carey.—I have not followed the argument.

President.—In any year have you got your output using less than 35 per cent. wood pulp?

Mr. Wood.—Yes.

President.—Since the war?

Mr. Wood.—I should think about 1920-21. I can get these figures for you.

Mr. Tarlton.—I will go back to the straining plant that is now being added. We have found these difficulties as regards the quality of paper and the specks which were already referred to, and we have made arrangements to overcome that. This plant as I have already said before will be in operation within the next few weeks and will definitely remove the troubles which you put before us this morning.

Mr. Ginwala.—With regard to the lack of uniformity I could not follow your explanation. Why should there be lack of uniformity in the paper you manufactured at the same time. I can quite understand it if you had to change from one grade of paper to another. There may be at the beginning lack of uniformity. I do not see why there should be lack of uniformity in the same outturn. If you manufacture 10 tons of paper at a time, why should there be a lack of uniformity in that 10 tons?

Mr. Tarlton.—We have had trouble with the speed of the machines. That is in our boiler plant. We have had failures in maintaining pressure. We have now overcome it. We have put in a plant that would maintain pressure which would give a continuous running.

Mr. Ginwala.—Quite so. It is purely mechanical.

Mr. Tarlton.—That is purely mechanical. It has been one of our local troubles. That trouble is now put right by the addition of this new plant.

Mr. Ginwala.—Mr. Mellor said that the standard had been altered by the Controller of Government Printing. Is it a fact that the standards are altered or that the standards are being more rigidly enforced than before?

Mr. Mellor.—He has tried to raise the whole standard of Government Printing paper.

Mr. Ginwala.—It has been his practice more or less to give specifications.

Mr. Mellor.—Yes.

Mr. Ginwala.—And then he also insists upon a sample?

Mr. Mellor.—Yes.

Mr. Ginwala.—He used to do the same before and, so far as I understood, there has been no material alteration in any specification or the samples submitted by yourself.

Mr. Mellor.—They do expect better samples and better paper.

Mr. Ginwala.—That is my point. It is not any alteration in the standard. It is in the exaction of the standards. The same thing happened with many other industries during the war and soon after the war. They did not insist on the exact article, because allowance had to be made for various causes.

Sir W. Carey.—I am not in a position to tell you.

President.—You are not in a position to say what it was before the war?

Sir W. Carey.—No.

President.—Every one will admit, and I have no doubt Mr. Ascoli will admit it himself, that he has turned down paper which he would have accepted during the war and immediately after the war.

Mr. Tarlton.—Yes.

Mr. Ginwala.—In paragraph 14 the following statement was made by the Calcutta Paper Traders' Association: "An impression created by 30—40 years of inattention to market demands cannot be wiped off within a short time, and we are amply justified in leaving this recent fact out of our consideration".

President.—The recent fact is the improvement in quality.

Mr. Ginwala.—Is it not rather a legitimate argument? From your own point of view, would you not find it more difficult to make people believe that some important changes had taken place and that they would continue?

Sir W. Carey.—The proof of the pudding lies in the eating. I have nothing to say. We ourselves have it admitted by English manufacturers who came out and examined our works that we are making paper which they had not anticipated could ever be made in India. We have had it also from other sources.

Mr. Ginwala.—It is no good an expert coming and telling you. It is more important that the consumer should believe it.

Sir W. Carey.—The proof of the pudding lies in the eating of it.

Mr. Kale.—Am I to understand from what you have said that you are still at the experimental stage, and that you will have to wait for sometime before you can assure yourself of the good results?

Sir W. Carey.—No.

Mr. Kale.—You have stated that you are introducing some improvements, but definite results will be seen some time hence.

Sir W. Carey.—The only thing we have done is to put in a set of strainers of proved usefulness, which had certain effects in grass mills elsewhere.

Mr. Kale.—Don't you think it necessary we should have certain definite results before us on which we can take our stand? You have been simply telling us that certain improvements are excepted when you may be able to turn out a better quality, but what we have to deal with is actual facts that are before us, so that if we want to make use of what you tell us then we will have to wait for sometime till your conclusions are definitely proved.

Sir W. Carey.—As far as the results already shewn are concerned I think that you can get other opinions, not necessarily the opinion of the Calcutta Paper Traders' Association, but other opinions, whether the quality of the papers produced by the local mills has improved or not in the past 12 months. As regards the definite objection of specks, etc., we are at the present time putting in Packer screens of known value, specially recommended to us by Boving's and purchased by us and put in for this purpose. I don't think that there can be any doubt as to what they will do. They will definitely eradicate these defects.

President.—That is only your opinion. You cannot get behind that?

Sir W. Carey.—We shall probably be in a position within the next two months to show you the results of the working of these mills or at least one mill.

Mr. Kale.—You cannot hang up our enquiry till then.

Sir W. Carey.—The main thing is the history of the past year.

President.—There is another point that I would like to draw your attention to, which has some bearing on this question. During the war from 1914 to 1920-21, the average output per year was just 20,000 tons and the maximum was 23,000 tons. It was during that period that the quality of the paper you were turning out was at its lowest. What I feel inclined to suggest is that the high output was not unconnected with the low quality.

Sir W. Carey.—The mills were driven hard to produce something—any kind of paper—on which telegrams and other things could be written.

President.—Does it not come to this that, if you increase your output much above 18,000 tons, which you produced last year, there is a danger of the quality suffering again?

Sir W. Carey.—18,000 tons are what these mills are constructed for, and since then we have put in other arrangements at the back of both the mills.

President.—The question is whether even the attempt to obtain 18,000 tons may not lead to a falling off in quality. Do you expect to work up to 18,000 tons this year?

Sir W. Carey.—It is a matter of market. We cannot do it this year.

President.—I think that it is a point which has to be taken into consideration that the machines are no longer quite so young as they once were. They won't stand working beyond a certain point.

Sir W. Carey.—As regards the machines themselves, at the present moment and for the past 9 months it has been one of the chief duties of the General Manager to overhaul and bring up those machines to a point where they can give us their best. That was a point which was left over and had necessarily to be left over till after the termination of the war. But the tuning up and bringing up the machines so that they might give us their best has been, as I said, in hand for the last 9 months. In every paper mill it is a matter of constant adjustment and keeping up the old machines. It is a matter of theory between different papermakers. Some hold that they can turn out as good a paper on a machine which is 50 or 100 years old as on a brand new machine.

President.—I would like to suggest this to you. These rejections, particularly the heavy rejections which the Controller of Printing made last spring, were they entirely unconnected with an attempt to turn out paper very fast? It is right to say that Mr. Ascoli did not say so. It is merely my own surmise. I have no definite evidence to go on.

Sir W. Carey.—I should like to put that up to the mills. We shall tell you to-morrow.

President.—There is another aspect of the case to which I should like to draw your attention. It is important that you should know what is in my mind. When we visited both of your mills last August, certainly the Titaghur Mills and to a less extent the Kankinara Mills, I was impressed by the defective arrangement. It seemed to me that in a mill where it was extraordinarily difficult to follow the processes of manufacture, because each department seemed to have been set down casually without any previous plan, economical manufacture must be difficult. It did not seem that the mill had, from the beginning, been planned in a coherent way. At Kankinara I found it a good deal easier to follow the whole process. In Titaghur I never knew where I was.

Sir W. Carey.—The people in the mill do.

President.—It probably leads to unnecessary expenditure if the buildings are not so arranged that the material passes on from one process to another with a minimum amount of labour and trouble.

Sir W. Carey.—That has been the object of our whole renovation.

President.—I saw the mill after most of your renovations had been completed.

Sir W. Carey.—We can only say—as they are now I don't say they are equivalent to a brand new mill—the process is a steady one which goes clean straight through, and to the men working in the mill I don't think it is very difficult.

President.—It may be so, but that was the impression produced in my mind.

Sir W. Carey.—Of course as compared with the mill as it stood in 1914 there is no comparison at all.

Mr. Mellor.—No. 2 mill used to be given as a model lay-out of a modern mill. It has appeared in some of the text-books.

President.—That is Kankinara?

Mr. Mellor.—Yes.

President.—I admit that it is easier to follow the Kankinara processes than Titaghur.

Sir W. Carey.—That is comparatively a modern mill.

President.—The point is this. In so far as your high costs are due to the defective lay-out—I admit it was laid out before your firm had anything to do with it—why should the taxpayer come to your rescue?

Sir W. Carey.—At the present moment as the mills are constructed we have got everything in its right place which we had not got in years gone by. We have got our power plant, chemical plant and the raw materials at the back of the mill followed immediately by the preparing process, which, of course, was not the case in the old days. All handling has been eliminated by the renovations which we had put in. Everything is now pumped and distributed. It would not be quite clear because of the old buildings. We could not pull down and rebuild the whole thing. We have reconstructed the interior arrangements so that the raw materials are prepared and then fed for beating and breaking and then for bleaching, pumped through pipes all over the place, which you might call a very modern system.

President.—I am not in a position to criticise the arrangements in detail, but I thought it was right I should tell you of the impression created in my mind.

Sir W. Carey.—You can see that in No. 1 mill, *i.e.*, the old mill, everything is in the place where it ought to be. I don't think that if you put down a new mill altogether the position would be dissimilar.

Mr. Ginwala.—I hope that is not so.

Sir W. Carey.—The arrangements are similar to what they are in Kankinara.

Mr. Ginwala.—First of all, will you tell me which part of the pulp process requires most attention to ensure quality?

Mr. Mellor.—Boiling in the digester.

Mr. Ginwala.—You don't attach importance to breaking and beating?

Mr. Mellor.—Yes, it is also a very important stage.

Sir W. Carey.—Both are equally important.

Mr. Ginwala.—Can you say that these breakers and beaters are situated in such a way that sufficient attention can be paid to the material that is passing through them?

Sir W. Carey.—Undoubtedly.

Mr. Ginwala.—In the first place, I think at Titaghur most of the work has to be done by artificial light.

Sir W. Carey.—Who told you?

Mr. Ginwala.—I was shewn a good deal by artificial light. I could not see anything at all without it, in places.

Sir W. Carey.—The only point where work is done by artificial light is down at the rope drive.

Mr. Ginwala.—Some of your operating rooms are so constructed that those who work there would require to use an amount of care and attention which are not ordinarily available in this country, to ensure proper quality so far as those particular processes are necessary to ensure quality. That is the impression left in my mind. You cannot reasonably expect the man who looks after those processes to notice all the impurities that pass through.

Sir W. Carey.—I do not know that your argument about the artificial light really is a very serious one, because all the world over paper mills work 24 hours. The lighting arrangements inside the mills are such that they should be just as easy of supervision by artificial light as they are by day light.

Mr. Ginwala.—I think that the conditions in this country are such that ordinarily, where artificial light is used, the work is likely to be defective.

Sir W. Carey.—This time of the year in any case you can only work for 9 hours by day light.

Mr. Ginwala.—It is not a question of light and atmosphere. But the arrangements of the mill are such that light cannot penetrate into some parts of the operating room.

Sir W. Carey.—I think that Mr. Ginwala is referring to the beaters which are on the basement floor.

Mr. Ginwala.—We saw a mill elsewhere which was not working at all. There we could see everything and follow the arrangements. The impression left on my mind was that some of the defects referred to in your paper might be very largely due to the lay-out of the factory.

Sir W. Carey.—I don't think so.

Mr. Ginwala.—I have told you the impression left on my mind. I am merely talking of the arrangements inside the mill. There is plenty of space in your mill, but the space, I confess, does not seem to have been so utilised as to make the work easy.

Sir W. Carey.—Inside the walls of the mill?

Mr. Ginwala.—Yes, where the processes are carried out.

Sir W. Carey.—I should like to have shewn it to you 10 years ago.

Mr. Ginwala.—If that is all the improvement that has been made, there is room for a great deal more.

Sir W. Carey.—I have not the least doubt that if once we continue to breathe and live at all there will be a steady watching of improvements, which will be introduced whenever possible. At the present moment we have got to manage to live at all.

Mr. Ginwala.—Will these improvements mean a new lay-out?

Sir W. Carey.—With reference to your main question of light, in what particular connection are you referring to it as being a detriment? Are you referring to the pulp stage?

Mr. Ginwala.—That is one thing.

Sir W. Carey.—As to whether the pulp is ready and finished for being sent, it is tested by the feel of the pulp. It is not a question of looking at it. Any paper maker can do it in the dark. If he is not a paper maker he cannot do it even in the open sun. With regard to specks I quite agree with you that it is possible that things might pass through if the mills were badly lighted. That is the reason we have put in these strainers we have talked about. They should be eliminated automatically.

Mr. Ginwala.—I am putting it to you that the inspection of the mill by us did not suggest that the conditions of work which would ensure quality were very favourable.

Sir W. Carey.—We would be only too delighted to put in a brand new mill if we can make or collect the money.

President.—There is one other point connected with this and that is your coal consumption. Have you been able during the current year to effect any economy in your coal consumption as compared with the figures for 1923-24?

Mr. Wood.—In 1923-24 our coal consumption was 5.6 tons. During the last six months the average is 5.1 tons, that is everything in.

President.—Do you mean from the 1st of April onwards?

Mr. Wood.—Yes.

Mr. Ginwala.—Which mill are you taking now?

Mr. Wood.—Both the mills.

President.—Are you in a position to give us the figures for the two mills separately? I know there is a complication.

Mr. Wood.—As a matter of fact they are practically level just now because at Kankinara we have Babcock boilers. At Titaghur we are making chemicals which we do not make at Kankinara, and the efficiency of the plant gives that extra power to make the chemicals.

President.—Out of 5.1 tons what quantity do you estimate is used in the electrolytic plant?

Mr. Wood.—About a tenth of the whole quantity, i.e., about half a ton.

President.—What it comes to is this, that the improvement in your power plant in the steam unit in Titaghur is just about half a ton?

Sir W. Carey.—In addition to that we cut cut the labour necessary to run the boilers.

President.—There is a further saving in the cost of labour?

Sir W. Carey.—Yes.

Mr. Wood.—That is half a ton saving of coal for the two mills. But in Kankinara we are exactly as we were before.

Mr. Ginwala.—But Titaghur makes bleach for both.

Mr. Wood.—Yes, and it shows a ton reduction.

Mr. Ginwala.—It shows much more than one ton.

Mr. Wood.—Cutting out the chemical plant, it is a ton better.

President.—Supposing there were no chemical plant and you had the same improvements at Kankinara as you have at Titaghur, your consumption in both the mills would be about $4\frac{1}{2}$ tons?

Mr. Wood.—Practically.

President.—At present there is a saving in one mill and the other mill remains steady?

Mr. Wood.—Yes.

Mr. Ginwala.—We will take it at $4\frac{1}{2}$ tons. But we have found that tons are misleading, because $4\frac{1}{2}$ tons of second class coal may represent three tons of first class coal. Would you give the money value of $4\frac{1}{2}$ tons?

Mr. Wood.—Rs. 10 to Rs. 10-8-0 a ton.

President.—Is that landed at the works?

Mr. Wood.—Yes.

Mr. Ginwala.—It is the equivalent of how many tons of first class coal. I take it that you use 2nd class coal?

Mr. Tarlton.—We use only 1st class coal.

President.—Is it Deshergur coal?

Mr. Tarlton.—It is 1st class Jheria.

Mr. Ginwala.—In the case of the India Paper Pulp Company, by using a better class coal they practically hope to get down to 3½ tons.

Sir W. Carey.—They have a different process altogether.

Mr. Tarlton.—I think that in comparing these ton figures we should take the quantity of water evaporated. We have tried to carry the steam heated on second class coal. We have made a complete test and we have measured the amount of water that has gone through the boiler and evaporated. By using 2nd class coal we had to run additional boilers. The steam supply was erratic, which caused some of the troubles referred to this morning. We have come to the conclusion—we have been forced into it—that we must use only 1st class coal. By using 1st class coal we are running only 3 boilers, but if we go back to 2nd class coal, we lose on it, because we have to put on additional boilers and burn additional coal.

President.—It depends to a certain extent on the nature of your equipment?

Mr. Tarlton.—We consider No. 1 mill a most up-to-date plant.

President.—I am not criticising your plant.

Mr. Ginwala.—Do you expect to get down to 3½ tons by using 1st class coal?

Mr. Tarlton.—I don't think so. The figure that you have given is not a practical figure. What has been given is a theoretical figure.

President.—Are you in a position to tell us the quantity of coal required?

Mr. Ginwala.—In your estimate I think you say 3½ tons.

Mr. Tarlton.—Our theoretical figure is 3½ tons, but I don't say to-day we are going to get it. That is what we are aiming at.

Sir W. Carey.—For grass mills 4 tons of coal per ton of paper is quite good.

President.—If you assert that, it is for you to demonstrate it formally. All the evidence we have had is that the coal consumption in grass mills in Europe is a great deal less than 4 tons per ton of paper. The information we have had has been as to the actual practice.

Mr. Wood.—Perhaps that does not include causticizing, and the recovery plant.

President.—The point is this. It was said just now that in England in the Esparto mills a consumption of 4 tons of coal would be considered quite good. What I said was, that if that is part of your contention, it is up to you to demonstrate it formally, because all the evidence we have had so far has been totally in the opposite direction.

Sir W. Carey.—We can get that for you.* May I also say this with reference to the difference between our process and the sulphite process that there is a difference of at least half a ton owing to the fact that they have no subsidiary plant. The soda process is a different process altogether.

President.—We are not criticising your coal consumption by comparing it with their consumption.

Mr. Ginwala.—You stated just now that you required half a ton of coal for bleaching and so on. If you take that half ton from 4½ tons, that leaves 4 tons.

Sir W. Carey.—Then I say that for the soda process there is another half a ton.

Mr. Tarlton.—To assure you of the efficiency of this plant, the recurring cost per unit of electricity is 45 annas.

Mr. Ginwala.—As regards machinery your contention, as far as I can follow you, is that so far as the paper part of the machinery is concerned there have not been any violent changes since the war. Is that correct?

Sir W. Carey.—The machinery is entirely renovated on modern principles. I mean from the beating plant to the machine the process it has been entirely renovated and there has been saving in the cost of cleaning the pulp.

As far as the wire part of the machine is concerned I don't think anything modern could have been added that has not been added. With regard to the machine itself we have already said that it has been the one principal business of our manager to adjust all the machines so that the machines may be brought up to their highest efficiency and maintained there.

President.—I will now come to the second main objection which has been put forward against protection and in substance it amounts to this, that the profits made during the war, and afterwards during the boom period, by the paper mills were so large that they should have been able to bring their works in all respects up-to-date and to create an equalization of dividends fund which would have carried them through four or five lean years. You have told us that in your opinion you have practically succeeded in bringing your works up to date.

Mr. Courtney.—Yes.

President.—I must confess frankly that you have not been quite successful in convincing me. In particular there is the question of the funds that were invested in the proposed pulp mill in Burma. Was that intended to give your concern a total larger output?

Sir W. Carey.—It was intended to provide us with a sure supply of suitable raw material.

President.—Was it purely a pulp plant?

Sir W. Carey.—Yes.

President.—It has been suggested that instead of the accumulated profits of the war, or at least a part of it, being spent in that way, really what ought to have been done was a complete rebuilding of the mills, and that, if the

* Statement XI, Appendix I.

money was spent on other things, there is no obligation resting on Government to come to your rescue. I should like to hear what your reply to that is.

Sir W. Carey.—The total money spent on the bamboo pulp mill, including sites and everything of that sort, was something like 35 to 36 lakhs of rupees, and that would not have been anything like sufficient to tackle the rebuilding of even one mill.

President.—Is that all you wish to say on this question, that in view of the profits made during the war the mills ought to have been able to get through without any assistance from Government?

Sir W. Carey.—Of the remainder of the reserve a very large proportion has gone actually into both the mills in the renovations we have been trying to describe to you. That is where the rest of it has gone practically.

President.—I think this is an important point and it would be advisable if you can deal with it as fully as possible.

Sir W. Carey.—The question of rebuilding was gone into at various times, and schemes of different sorts were put up, but they were all considered impossible of realisation because of the vast sums involved. Anything up to a million sterling, or equivalent to a crore of rupees, was required to do one mill alone, and we did not see any possibility of raising it in any way. This money that was put into reserve was, of course, put in against writing down the depreciation of the older plant and used in renovating the same plant. There is one other point. A very large part of the plant which was originally purchased for the pulp plant has been since used in the paper mills, I mean a considerable quantity of steel works, the Packer Screens and so on.

President.—Is it likely that they would be quite suitable for dealing with grass?

Sir W. Carey.—Yes. In addition there are a good many other things, electrical plant, boilers, etc., which amounted to somewhere about Rs. 8 to 10 lakhs.

President.—Then your main reply to this argument is that, even granting that the money spent on the Burma pulp mill might have been better spent—even granting that—it would not have enabled you to rebuild the mills?

Sir W. Carey.—With reference to the bamboo plant we asked the public to subscribe, but there was nothing doing. We asked the shareholders to subscribe, but they said they were not prepared to buy the shares.

President.—That would also apply to the profits made during the war, that even if you had altered the dividend to 6 per cent. even then the amount ultimately saved would not have sufficed to do anything substantial, would it?

Sir W. Carey.—It would not have enabled us to rebuild even one mill.

Mr. Ginwala.—I have not quite fully grasped what your idea was in starting this bamboo pulp plant. Was it going to be a bamboo business as part of the Titaghur business, or was it going to be a separate business altogether?

Sir W. Carey.—It was entirely worked out on the recommendations of our own expert and Government experts and on the result of experiments made by leading men in England and Scotland as to the possibilities of bamboo as a fibre. It was the result of the enormous price wood pulp had risen to and the belief that they would never fall below again, and the desire to assure to the paper mills a substitute for wood pulp. First of all, the intention was to work a mill and to prove it out that it was a reasonable way of using the war profits.

Mr. Ginwala.—It was really going to be done, I take it, as a part of the Titaghur business?

Sir W. Carey.—Yes, at first to experiment with it.

Mr. Ginwala.—Because then you were using a certain quantity of wood pulp for which you wanted to substitute bamboo pulp?

Sir W. Carey.—Yes.

Mr. Ginwala.—And therefore under these circumstances you considered that they were a fair charge on the resources of the Titaghur concern?

Sir W. Carey.—I still contend that if the public helped us to build the thing, it would have been a very good investment to-day.

Mr. Ginwala.—But, I take it, the plant is practically useless for your purposes just now?

Sir W. Carey.—Yes, until a pulp project can be realised, not as a part of the paper mill but as a separate concern. Had it been a successful proposition, it would have been made into a separate concern, giving Titaghur something out of it and thus giving an opportunity of extending it since the initial difficulties had been got over.

Mr. Kale.—Am I to understand that this Burma scheme was placed before the shareholders of the Company and their assent was obtained for investing that amount in the project?

Sir W. Carey.—Yes.

Mr. Kale.—What did you say was your estimate for the installation of a new plant in the old mill?

Sir W. Carey.—About a crore of rupees.

Mr. Kale.—The value of the machinery was Rs. 25 lakhs. Suppose the price of machinery had gone up, would it have gone up four times? It should not have been so very high.

Sir W. Carey.—These were figures that were given to us. The last figure given to us in the Spring of last year was £700,000 for 10,000 tons of paper.

Mr. Kale.—So you thought it was an impossible proposition and therefore you did not think of putting in a new mill altogether?

Sir W. Carey.—We did consider it and we had had advice given to us by the best man from Home.

Mr. Kale.—And therefore you thought it better to introduce improvements?

Sir W. Carey.—A complete renovation scheme, for which we had got the money, as an alternative.

President.—The inference to be drawn from what you have said is that the Titaghur mill cannot be regarded as a thoroughly up-to-date modern unit?

Sir W. Carey.—No mill in India to-day is.

President.—Still that is a relevant fact in connection with the claim to protection.

Sir W. Carey.—Is it necessary that every claimant for protection must rebuild all his works?

President.—It depends on what his work are like, but if his costs are higher owing to the fact that the equipment is not up-to-date, that cannot be ignored.

Sir W. Carey.—We still do maintain that we now have mills which are in most respects the equivalent of a modern mill, apart from the enormous speed at which you can run a modern machine, which we do not want in India.

President.—The next point is really the development of the one we have been discussing. Paper making is not a nascent industry; it has been going on in India for a good many years and you have had time to learn and therefore the paper manufacturers cannot plead that they deserve special encouragement which can justifiably be asked on behalf of an infant industry. If they were unable to equip themselves satisfactorily in the years preceding the war, at any rate the profits made during the war gave them a magnificent opportunity to get straight. The question then arises, is it reasonable that they should be given a second opportunity at the public expense, and what guarantee is there that they would make a better use of it than they did the first time?

Sir W. Carey.—I think the answer to that is that we do claim to have taken full advantage of the war profits using them up in the reconstruction and renovation of the mills, and as regards the pre-war position the argument is that we were simply being killed by foreign competition, I should say dumping, with the exchange at 1s. 4d. A definite set at the paper trade made by the German Consulate had prevented us from showing any profits for 18 months before the war. They had sent prices home at which paper could be put into any market in India at just one pie per lb. below the price at which we could sell that ourselves. That paper was partly subsidised by the German Government.

Mr. Tarlton.—The President made a point of the tax-payers paying for the improvement of the mills. Is not there the other side to the question? If the Indian mills are closed down the price of imported paper will not remain what it is to-day in this country. Therefore the country would be paying a higher price and getting no return for the work it had put in to build the paper trade. I mean it follows that as soon as the Indian mills close down the price of paper will be put up.

Mr. Ginwala.—Why should that be so? Competition amongst the foreign manufacturers must continue. Why should they not compete among themselves?

President.—If the world's demand is much less than the productive capacity of the mills, prices will not rise under the existing condition of the paper trade. If Sweden puts the price up, Germany will cut in, if Germany puts the price up, Norway will cut in. You cannot simultaneously ask me to believe that things in the paper trade are so bad that paper is being dumped in India on a large scale, and at the same time that, if the manufacture of paper in India is stopped, all paper prices will be put up. You cannot ask me to believe both these things. They are not consistent. I should like to know if this argument is seriously put or not.

Mr. Tarlton.—I am referring to the future.

Mr. Kale.—Sir W. Carey just told us that before the war the German Government subsidised the sale of paper in this country. Have you got any evidence?

Sir W. Carey.—It is very difficult to get, but at the same time it is common knowledge that subsidised railway freight to the coast and specially steamer freight for export, was a very common phenomenon of the German system.

Mr. Kale.—Was not that common to all German industries?

Sir W. Carey.—We are only dealing with paper at present and its effects on the Indian industry.

Mr. Kale.—I want to know whether any special measures have been taken with reference to the Paper industry?

Sir W. Carey.—Not more than for other German competition.

Mr. Kale.—That was the general German policy?

Sir W. Carey.—The same thing for piece goods. I am not suggesting that it was not so, but the effect on us was equal of course. As we know, the German Consul-General before the war had a special commercial attaché and it is now being repeated. I knew him very well. I know that the paper trade is one he made specially dead-set at.

Mr. Kale.—They are common methods of trade and do not peculiarly apply to paper manufacture?

Sir W. Carey.—I am simply saying that the effect on us is unfortunate.

Mr. Kale.—Was that policy only in operation for one or two years?

Sir W. Carey.—I should think it was probably commenced 5 years before the war—the usual method of peaceful penetration.

Mr. Kale.—You felt the effect just before the beginning of the war?

Sir W. Carey.—We felt the effect from two years before the war.

President.—The next objection to the claim for protection which comes is that no development of the industry on the basis of grass is possible for two

reasons. Firstly, the supply of the raw materials within an economical range of the mills is inadequate and, secondly, the market is so limited that there is no room for expansion. I don't want to discuss again the first point about the supply of raw materials, for we went into that very fully when you were at Simla. Perhaps we may draw your attention to some of the statements made by Mr. Raitt and Mr. Pearson. Apart from that, nothing fresh has come to our notice. But this question of the market is rather more important and a good deal has to be said about that. In fact one very important new fact has come to notice within the last week or so, though it might well have come to notice earlier. It appears on an examination of the trade statistics that, when we were discussing the question in Simla, one important fact was altogether overlooked. In 1923-24 the total imports of paper excluding paste board and straw board was about 60,000 tons, which included about 22,000 tons of old newspapers, and 10,000 was newsprint. That only leaves a balance of about 28,000 tons. If you add to that the mill production, which I think was something like 30,000 tons in that year, you get a total consumption of not very much more than 55,000 tons. Amongst the imported paper there is a great deal of paper which would not under any circumstances, I think, be displaced by the products of the Indian mills.

Sir W. Carey.—At present.

President.—The exact amount is always doubtful. Whether they would be imported under protection may be open to question, but that quite a substantial proportion would not be replaced by Indian paper is pretty certain. To begin with, high-priced, good quality papers like rag paper are only required in India in comparatively small quantities, and therefore would not, and could not, be manufactured by the mills. Have you looked into the question of the market again since these facts came to your notice in order to form an estimate of the extent to which the output of paper in India might grow at the expense of the imported paper? All the estimates we had in Simla have gone west. The old newspapers are clearly not a market that the Indian mills can capture. Have you gone into the question since the fact came to notice?

Sir W. Carey.—We have been considering it since last week. We will probably be more ready to-morrow.*

President.—Looking at the case from a rather different point of view, it has been suggested to us by some of the witnesses that there is in India a definite class of consumers who prefer grass paper, on account of the special qualities it possesses, to any imported paper. They said that the grass paper is preferred on account of its bulk, on account of its strength and on account of the fact that you can write on the printing paper. It is a universal paper which can be used for writing and printing just as it is convenient. Do you agree that there is such a class of consumers principally on this side of India?

Mr. Goss.—Yes. There are several. I refer to religious publications where the paper must be strong and lasting. As regards the printing paper I have no doubt these people prefer Indian paper.

President.—It was also suggested to us that the grass paper was preferred by the people who printed wet in old-fashioned hand presses. The witnesses also suggested that, in addition to this class of consumers, there were also a considerable number of consumers who did not attach importance to the particular qualities of the Indian paper. In printing papers they asked for the superior finish and the other characteristics of the imported paper. The suggestion was that a considerable number of consumers of this second class would not under any circumstances purchase Indian mill paper. If what they were using were comparatively an expensive paper, then they would continue to use imported paper, but would go down one or two grades in quality, sticking to the price they were formerly paying. If they were already buying something like the cheapest wood-free printing, they would probably go down to a paper containing a percentage of mechanical pulp. What is your view about the probable behaviour of the second class of consumers?

* See below—Evidence of December 23rd.

Mr. Goss.—I think they would buy our paper if we could meet them in price. The question of finish we have already referred to.

President.—In the normal way they will meet the increased duty by buying something cheaper, conceivably the Indian mill paper. The suggestion is that there is another channel open to them, instead of buying the Indian mill paper, they will buy a cheaper imported paper.

Mr. Goss.—I don't think so. I take it the cheaper imported paper referred to is mechanical?

President.—Instead of a wood-free paper they might buy mechanical paper, containing 10 or 15 per cent. of mechanical pulp. It is not suggested that they would take to newsprint.

Mr. Mellor.—The papers that come in are already partly mechanical, and if they go very much further down they would not be suitable for their purposes in point of strength or body.

President.—There is no doubt a limit to the proportion of mechanical pulp.

Mr. Mellor.—Quite so.

President.—On the other hand it does seem, in view of the great variety of different kinds and qualities of paper, that this alternative method of escaping from the higher costs which protective duties might entail is open to some objection.

Mr. Mellor.—I think they have gone down very low. If they go down very low the quality they purchase will be very difficult to use. The qualities that come from Scandinavia, Germany and Holland are partly mechanical and very low in quality. I do not think they could ever hope to buy the cheaper paper for the purposes for which they want the paper.

President.—I am not quite sure. We had evidence from one or two firms and the prices they are paying at present are rather distinctly above the prices you have quoted for imported paper.

Mr. Mellor.—For special work it is so.

President.—A Bangalore firm gave a list of the prices that they paid, and it was rather unfortunate they put on a complaint that the present duty amounted to 25 per cent. on the c.i.f. price, for it was found that they were not actually paying more than 12 per cent. on any of their imports. All their c.i.f. prices were 5 annas a lb. and upwards. A firm like that has the opportunity of buying a lower quality of imported paper without getting into the mechanical range. Take the case of Messrs. Thacker Spink & Co. The price of the paper they use for their books is distinctly above the lowest wood-free printing.

Mr. Goss.—Yes. They do very high class work. It is only a small proportion that is coming in.

President.—But it is not negligible.

Mr. Goss.—I find from our experience in the market that our paper, *i.e.*, the usual printing, will fulfil the bulk of the consumption. It is just the question of price. If we can give it, say, 1½ pies cheaper than the foreign paper they will all take up our paper every time.

President.—That may be so. Until recently you have not fully attempted to exploit the market, but surely on the Calcutta side the market by this time must have been fully exploited. What I mean is this, that the consumers who do not buy your paper in Calcutta prefer the imported quality. They want other qualities than the qualities which your paper has got. I see no escape from that.

Mr. Goss.—I don't quite see what the point is.

President.—Even if protection were given it would be ineffective. The consumer would not resort to your paper. That is the suggestion.

Mr. Goss.—It is a question of exchange. Since the exchange was at 1s. 6d. their orders have considerably dropped off. It depends upon the price at which the imported paper comes in.

President.—That is quite a legitimate answer. That proves that to some extent your paper must be in competition with imported paper and that, if you lower your price, you can compete. Conversely, if the price of the foreign paper is raised, you can compete at your present price. That undoubtedly is legitimate evidence to that effect. But still, assuming that the suggestion cannot be accepted to the full, do you think there is anything in it?

Mr. Goss.—5 annas per lb. paper would be, I think, an Esparto printing, so that very little of it is coming into the market.

President.—Apart from the newsprint there is only 10,000 tons of printing paper coming in. After you have made the various deductions it is not clear that the market in the class of paper that you can manufacture is still very large.

Mr. Goss.—Very often we get up-country enquiries quoting the European manufacturer's rate there. Our men tell us that X is going to take English paper imported from abroad. If you go down to that price we can get the business. If we can't bring down the price, we lose it.

Mr. Ginwala.—I don't think you followed our point. Take 3 grades of paper, 4 annas, 3 annas, and 2 annas a lb. We shall assume that at the present moment you cannot compete against the 4 anna paper and a duty of one anna is put on that paper, which makes the price of the 4 anna paper 5 annas; whereas the 3 anna paper will, it is suggested, take the place of the 4 anna paper very largely. Then you will be competing against the 3 anna plus one anna a lb. and so on.

Mr. Mellor.—We don't think so.

Mr. Ginwala.—It is quite conceivable that the limit is reached at 2 annas. It is not possible to go further down. Until that limit is reached it is contended that it is possible for the man who really wants to use foreign paper to use it in preference to yours, and that to that extent you will not benefit by that protection.

Sir W. Carey.—The original idea was to ask for an additional duty to be placed upon the mechanical newsprint.

Mr. Ginwala.—But then you must remember that the newsprint containing anything like 70 per cent. mechanical is right down at the bottom of the ladder.

Sir W. Carey.—I am trying to answer your question. On subsequent investigations we don't think that there was likely to be a very great danger for the reason you have just made.

Mr. Ginwala.—The point is this. Take the 2 grades of 4 annas and 3 annas and if an additional duty of one anna is put on, then the 4 anna quality becomes 5 annas. Then the consumer says "I am going to use the 3 anna quality which is, after all, not so very bad. If you want to prevent me from doing that, you would have to put still another anna."

Mr. Mellor.—If the 3 anna paper is going to cost him 4 annas, he will look at the paper.

Mr. Ginwala.—He ought to look at your 4 anna paper now. Why do you want one anna duty at all?

Mr. Mellor.—Even the people who are using the foreign paper still look at our paper.

President.—You would admit to some extent that will happen. Take a man using rag paper for which he is paying 10d. If he can get a rag paper for 8d., he will go in for that. Instead of the real Art he might use imitation Art. The question really is how far down the ladder he will go and in what proportion. I do not think anybody knows.

Sir W. Carey.—I think we all believe that the trade itself would expand in the years to come because we are looking ahead.

President.—It has not been suggested that there would be no increase in the consumption.

Mr. Tarlton.—With your permission I want to refer to the points which Mr. Benthall was making on Esparto paper in order to make our position

absolutely clear. He talked about specks in the Esparto grass paper. What we want to make clear is this, that their sources of trouble are, like ours, dead grass, roots and natural dust, that is, the dust with which the grass becomes more or less covered in the course of its growth. They have overcome their troubles. Their troubles were overcome on the same lines as we are going to overcome ours. So, we don't wish to state that the Esparto grass paper is specky and has the same uneven surface as our paper. Is that sufficiently clear?

President.—Not that they are actually selling specky paper. No doubt there may be occasions.

Mr. Tarlton.—On the whole it is not a specky paper.

President.—But there is the danger which has to be constantly guarded against?

Mr. Tarlton.—Yes.

President.—There is this to be said, however, that Esparto grass is relatively an expensive material from which to make paper. I gather that they cannot make paper from Esparto grass to compete with wood pulp paper, and the most important reason is the cost of getting the stuff. I have always imagined that the cost of cleaning the grass was a contributory cause of the higher cost of Esparto paper. It is an item of expenditure which the people who make paper from wood pulp would not have to meet.

Mr. Wood.—That is so.

Mr. Tarlton.—But our view is that we should be able to bring down our cost very much below.

President.—It seems to me that it is quite certain that if that is to be done, it will have to be done mechanically.

Mr. Ginwala.—Mr. Alex. Macdonald said "Preventible dirt consists of those forms of impurity which, if they cannot be wholly eliminated, can at least be very greatly minimised by watchfulness and care on the part of all concerned in the different processes of manufacture." (See page 1614, The World's Paper Trade Review, Nov. 14, 1924.) You may get dirt cleaners and all kinds of mechanical appliances. If care is lacking, the chances of your getting rid of the impurities are remote. Dust you can remove.

Mr. Tarlton.—We can remove dust. We have got new dusters working. Our chief troubles are dead grass, root and natural dust.

Mr. Mellor.—Even the wood pulp that we get sometimes contains dirt—some qualities dirtier than others.

President.—It has been suggested to us that the Indian paper is not in direct competition with the imported paper. If that is pressed to the whole length, or if the advocates of this theory go the whole hog and say that the Indian paper is not in competition with the foreign paper, it is not worth worrying about. Obviously it is not so. Therefore the point worth putting to you is, stating it slightly differently, that the Indian paper is not in such direct competition with the imported paper as might appear at first sight. The way I look at it is that, if it be true that there are a considerable number of consumers who definitely prefer the grass paper on account of the qualities which I indicated this morning, and if there are also a number of consumers who have no particular preference to the grass paper and do attach more importance to other qualities for which Indian paper has not hitherto been conspicuous, it is obvious, I think, that the extent to which you are in competition with the imported paper will vary in these two classes, that is to say, when selling to the first class of consumers you will be far less in direct competition with imported paper than when you are selling to the second class. What was suggested to us by various witnesses was that the production of the Indian mills had exceeded substantially the capacity of the first class of consumers, and that therefore the Indian mills had to find a market by attempting to meet the second class of consumers, but that the price had actually been pulled down quite as much, if not more, by competition between the Indian mills themselves as by the competition of imported paper. That was the suggestion made. I should like to know what you think about that.

I think that it was particularly suggested that the foreign price during the last year or so was largely due to that.

Mr. Goss.—The imported price has been steadily dropping and therefore we have got to bring down the price. The printing paper with which we are in direct competition is coming in at £28 to £32 per ton. At the present rate of exchange the imported paper is just under 3 annas 7 pies *ex-godown* per lb.

President.—That is as regards the second class of consumers.

Mr. Goss.—There is not such a big difference between the first class and second class of consumers. There is only a margin of about 3 pies per lb.

President.—Supposing the output of Indian mills were only about half of what it actually is, it is conceivable that you might be able to obtain a higher price for that quantity from the first class of consumers, who definitely prefer the Indian grass paper. But, of course, once you start catering for the needs of the second class of consumers you have to pull down the price in order to meet the imported paper. You cannot have two sets of prices, one for one class of consumers and the other for the other class. In that sense there may be something in the suggestion made.

Mr. Mellor.—That was the way in which European Mills wished to keep their home prices up. They export their surplus production, for which they appear to take a lower price here and keep up their home prices.

President.—You cannot do it in the same country.

Mr. Mellor.—No.

Mr. Tarlton.—To a very limited extent.

President.—It would not do to keep up your prices too much.

Mr. Mellor.—No. We find in the bazar there are dealers who practically deal only in the Indian paper and there are dealers who deal in imported paper too to a small extent. There are also bigger dealers who deal very largely in imported paper. These men would take our paper if we could meet them in the matter of price. It is these men who import very largely. The demand for paper which we cannot touch is comparatively small, probably not more than 10 per cent.

President.—That is rather difficult to say. If the mills had been aware of the 22,000 old newspapers when they gave evidence last July, I should attach more importance to what they say now about the extent of the market. My impression is that you could do very little more.

Mr. Mellor.—Our information is derived from our representatives in the different parts of the country who go to the bazar and see what is actually being done there.

President.—You never told us about the 22,000 tons old newspapers.

Mr. Mellor.—No, because we were then not in a position to do so.

President.—The whole argument was based on the assumption that 80,000 tons was your potential market. The reason was that the annual Trade Returns up to 1922-23 did not give the imports of old newspapers separately. It was only in the Monthly Returns of 1923-24 that the discrimination began. However, that is a little off the point. Do you think that it may be true to some extent that, if the production of the Indian mills were restricted, it might be possible to obtain a higher price for their paper from the kind of people who definitely want grass paper?

Mr. Goss.—I don't think so. The bazar dealer bases his price on the paper that is coming in.

President.—According to the evidence you gave in Simla it is quite the contrary.

Mr. Goss.—It would not be possible to obtain a higher price for the Indian paper, because it is Indian paper.

President.—It all depends on whether the consumer wants it or not.

Mr. Goss.—With most of the people it is a question of price. For instance, in the case of printing paper, our 14 pound paper will cost as much as a 16

pound imported paper. They get a thicker book and they pay less. But the number of people who definitely require Indian paper and who would pay more for it because it is Indian paper is very small. When selling in the bazar you always find that you have to offer at the import price to get big business.

President.—Naturally it must be so under the existing conditions, when they know that in order to sell your output you have got to sell in competition with the foreign paper. As long as those conditions exist nobody would offer more.

Sir W. Carey.—Does not that answer the question?

President.—My question is on the assumption that your output would be about half.

Sir W. Carey.—But I don't see how we are going to reduce our cost in that case.

President.—I am trying to elucidate the fact as to the market.

Sir W. Carey.—If the supply of Indian paper was short and the present demand still continued, you would naturally get a higher price.

President.—I think that there is a definite class of consumers for whom you could cater, who would be prepared to pay a higher price for the Indian paper.

Mr. Tarlton.—I should doubt it.

Mr. Goss.—There are just a few big presses who would prefer Indian paper, but if they get foreign paper cheap, they would take it.

President.—Has your selling price of "badami" gone down during the last year?

Mr. Goss.—It has gone down recently.

President.—Can you give me what your selling price is to-day and what it was last January?

Mr. Goss.—It was 3 annas 9 pies in January and now it is 3 annas $4\frac{1}{2}$ pies and 3 annas $7\frac{1}{2}$ pies. It depends on the class.

President.—Give me comparable figures. If there are varying figures now, there must have been varying figures in January.

Mr. Goss.—We have introduced some classification. You can take 3 annas 6 pies to 3 annas 9 pies.

President.—What is the imported paper whose competition has brought down the price of "badami" paper?

Mr. Mellor.—It is the tinted paper that is coming in at quite a low price.

President.—Does that give satisfaction to the ordinary consumer of "badami"?

Mr. Mellor.—We have also brought it down and tried to stimulate the demand.

President.—A great deal of "badami" is used in account books, rent receipts and things of that kind. In such cases they want a fairly durable paper. They would not like their accounts to disappear unless they wished that they should disappear. The imported "badami" has a fair amount of mechanical pulp and it won't meet that need.

Mr. Dutt.—"Badami" is used as cheap writing paper and also as cheap printing paper, but the newsprint quality is mostly mechanical. Any hard-sized quality is coming into the market and competing against "badami."

President.—What percentage of mechanical would there be in that paper?

Mr. Dutt.—Nearly about 75 per cent. mechanical.

President.—Surely not. I don't think that a pure newsprint would have a chance against "badami."

Mr. Dutt.—We have not tested the hard-sized newsprint quality to see the percentage of mechanical in it.

President.—It has got some mechanical in it?

Mr. Dutt.—Yes.

President.—Is the competition really keen between that and the 'badami' paper?

Mr. Dutt.—People are substituting that quality for 'badami' which is of higher price now. India is poor and it always sticks to a cheaper paper so long as it is suitable.

President.—I am suggesting that for a good many purposes a partly mechanical paper would not be suitable because it would not be durable enough.

Mr. Dutt.—At the very look of it the consumer does not think whether it will last long or not. Further it is not required for record purposes. It is only used for ordinary purposes for which durability is not so important.

President.—Badami is used for accounts.

Mr. Dutt.—It is the superior 'badami' that is used for keeping records for a long time, but the ordinary 'badami' is used for ordinary clerical use. There is another point which I would like to put before the Board. Before the war foreign white paper gradually came to be imported into the Calcutta port at such a low price as 1 anna 7-8 pies.

President.—I don't quite understand on what point you are now.

Mr. Ginwala.—One point I would like to know about which we have no evidence. Can you prove any instance in which the foreign paper has come into direct competition against the Indian paper?

Mr. Goss.—We can always quote plenty of instances.

Mr. Ginwala.—We have had no instance so far. Can you say, "I tendered for a contract at 4 annas 6 pies but that order went at four annas to the foreign manufacturer"? A case like that may enable us to judge when the real competition comes in.

Mr. Goss.—It happens every day in the bazar.

Mr. Ginwala.—You say that it happens every day in the bazar. We want instances.

Mr. Tarlton.—That is occurring every day.

Mr. Goss.—We can give you a concrete case where we have actually lost the contract because we could not bring down the price.

Mr. Ginwala.—Have you got a description of the paper?

Mr. Goss.—I know the name of the imported quality. It is machine-finished printing. We had a wire from our up-country salesman saying that this contract had gone.

Mr. Ginwala.—What did you tender for?

Mr. Goss.—The price was somewhere between 4 annas 3 pies and 4 annas 6 pies. I don't remember the exact price. It is a special enquiry, and the foreign quotation was 4 annas free delivery Lahore station. We lost the order because our price was higher.

Mr. Tarlton.—We can give you our exact figure to-morrow.*

Mr. Ginwala.—Give us half a dozen instances which would enable us to identify the foreign paper.

Mr. Tarlton.—We shall give you to-morrow.†

Mr. Kale.—We are given to understand that in some kinds of paper you have a sort of a monopoly. Is it your case that foreign paper, on account of its low price, is now invading the particular restricted area where you always had a very keen demand in India?

Mr. Goss.—They are actually trenching on our lines.

Mr. Kale.—Is the low price the chief consideration of the purchaser? Has the price anything to do with the quality?

Mr. Goss.—Low price is the chief consideration.

Mr. Kale.—Is the quality of the imported paper superior or equal to your paper in point of finish?

* Statement XII, Enclosure II

† Statement XII.

Mr. Goss.—In point of appearance and finish it is better than our paper, but as far as durability and strength go it is inferior to our paper; but nevertheless the buyer likes the paper and buys it.

Mr. Kale.—Are we to understand that the taste of the Indian consumer is changing and that he is demanding more and more paper which has a finer appearance?

Mr. Goss.—It is a question of price. He goes for the cheapest paper he can get.

Mr. Kale.—There was some evidence given before us to the effect that people are demanding more and more paper which looks finer and has a better finish.

Mr. Goss.—The standard of paper in India is improving.

President.—Whereas 25 years ago the consumer was content to a large extent to take one quality of paper, he now needs many different kinds and he is now being catered for in so many different lines with the kinds of paper which are adapted to his particular requirements. That is increasing the difficulty of the Indian mills. Do you think there is something in that?

Mr. Goss.—It is a very big question. In some cases it is really the customer and not the printer who chooses the paper. The printer does not have a choice, and in a lot of printing, such as in Bombay for instance, when printing for a European house, they often say "We want English paper." That is one reason why the English paper can always cut out the Indian paper.

President.—But that feature would probably be always present, would it not?

Mr. Goss.—But I find the chief thing is the price as regards getting or losing an order.

Mr. Kale.—And that was mentioned particularly in connection with the consumer in Bombay. They said that the consumer in Bombay requires a finer quality of paper—in appearance and finish and so on—and that the taste of the consumer in Bombay is different from that of the consumer in Bengal.

Mr. Goss.—That is true. Of course Bombay is, I suppose, more of an importing market than Calcutta, but still we are selling quite a lot of paper in Bombay at the present time—about 100 tons a month.

President.—What they call the Account Book quality, for instance?

Mr. Goss.—People here for account book quality use Indian paper, but in Bombay they use the Norwegian quality.

President.—Would you accept their account of the matter about this Account Book paper, or is there anything in their account of it which is misleading?

Mr. Goss.—As regards the Bombay demand, their Account Book paper is Norwegian, but when we get to Calcutta we find that our paper is sold for account books.

I think there is only one country that makes this and that is Norway. I have not seen this paper coming from any other country.

Mr. Kale.—The point is that the consumer would be prepared to pay a higher price if he is satisfied with the quality, and the likes and dislikes of the consumer have to do something there, and therefore the prejudice is not entirely governed by the consideration of price. Of course if the gap between the two prices is very wide, then he will buy the cheaper variety.

Mr. Goss.—That is correct. That of course refers to one quality, the Norwegian quality, which is a very well-known quality in India.

President.—It seems to have a considerable hold on the Bombay market. The reason why they like that kind of paper is said to be its strength and hard surface. It is a paper which the pen will not easily penetrate.

Mr. Ginwala.—If you look at page 21 of the evidence, Mr. Bellamy quoted an invoice in which he said superior cream-laid paper foolscap was offering at

2½d. per lb. c.i.f. and he said "this worked out to 2 annas 7 pies a lb. delivered. We have to add to that 8 pies for duty." Well the Calcutta Paper Traders' Association told us that they communicated with Messrs. Alexander Cowan & Sons and they denied that there was any such offer.

Mr. Mellor.—I think there was a misunderstanding about that. It was not an invoice; it was an indent made out through their Madras agent, and we had information that the indent had been accepted. Since then we found that it was not accepted. This was an actual indent formally signed by their man and sent forward to Messrs. Alexander Cowan & Sons for acceptance and they did not accept it.

Mr. Ginwala.—I asked Mr. Bellamy what was the date of the invoice and he said it was the 10th January.

Mr. Mellor.—It was not an invoice but an indent, it is a mistake which has crept into the record.

Mr. Ginwala.—Does this man who took the indent represent Messrs. Alexander Cowan & Sons at Madras?

Mr. Mellor.—Yes. He sent it forward for acceptance. When an indent goes forward they either accept or reject it, and in their reply they say that possibly the indents were withdrawn before any sales were effected.

Mr. Ginwala.—You see it makes our work rather difficult. This information has gone formally on the record. Would this be the price of paper partly mechanical?

President.—Would partly mechanical be called 'superior'?

Mr. Mellor.—It is called 'superior' in the 'indent' form sent by Messrs. Alexander Cowan's agent. It is very unfortunate that this misunderstanding has arisen, because Mr. Bellamy had the indent before him at the time when he gave evidence and we are sorry for the mistake.

Mr. Ginwala.—You quote the very thing in your letter of 18th August 1924, item 5, where you say "Contract dated 10th January 1924 booked by Alex. Cowan & Sons, London, with Messrs. P. Ranga Chariar & Co., Madras, to supply cream-laid at 2½d. per lb. c.i.f. c.i. Madras."

Mr. Mellor.—You will notice that we have called it a contract.

Mr. Ginwala.—I don't complain about it except that it is embarrassing that what has once been handed in and recorded as evidence has to be verified afterwards.

President.—I think it would be useful now to go on to the question in connection with the market for paper as to the kind of paper which cannot be made into India, or which cannot economically be made, either owing to the shortage of demand or for some other reason. If you notice what is said in paragraphs 16 and 17 of the Calcutta Paper Traders' Association's representation, about the introduction about the year 1895 of the super-calendered paper, one of the things they say is that there is more super-calendered or ivory finished paper coming into India now than ordinary machine finished. Do you accept that or have you any comments to make on that particular statement? It is clearly suggested that super-calendered paper constitutes a larger proportion of the imports than machine finished printing.

Mr. Goss.—I should not agree with that. The bulk of the imports is ordinary machine finished printing.

President.—Are you thinking particularly of the Bombay side or of India generally? The Calcutta Paper Traders were simply giving evidence from the business they were doing.

Mr. Goss.—This is based on the Calcutta market.

Mr. Dutt.—Super-calendered paper has been introduced since 1895 and it has gradually got hold of a certain class of market, because, side by side with printing, illustrations are now wanted in books. There is also a small demand for ivory finished because of the illustrations to be used in the books.

President.—Do you accept their contention that more super-calendered paper is being imported than machine finished printing?

Mr. Dutt.—No, the bulk of the trade is in machine finished printing.

President.—There may be a difference between Bombay and Calcutta because on this side of India the mills, no doubt, supply the bulk of the machine finished printing.

Mr. Goss.—As far as the up-country and Bombay markets go, machine finished printing is the paper which is being imported mostly. Super-calendered is just a small percentage.

President.—Then we will take it that your view is that this statement is not correct, particularly in Calcutta and the up-country markets, and that even in the Bombay market you don't admit that super-calendered paper is anything like so important as machine finished?

Mr. Goss.—Quite so.

President.—What they say is that the mills in India do produce super-calendered paper but the result is not so satisfactory. What have you got to say to that?

Mr. Goss.—There is sample here of super-calendered paper made in 1911.

President.—The trouble is that we are not experts and we can't assume that our opinion is of any particular value. I am putting this question to you because all the evidence has been on the other side. But I take it that you don't admit your inability to produce super-calendered paper?

Mr. Goss.—We can produce super-calendered paper. We are doing it just now.

Mr. Ginwala.—Can you give us the proportion it forms of your output?

Mr. Goss.—We will let you have the information later.*

President.—The question of super-calendered paper was specially brought to our notice in Bombay by the "Times of India," who use it for their illustrated weekly. They complained that they had been unable to obtain satisfactory super-calendered paper in India. The Manager said that he tried to use Indian paper and had actually ordered some, but as it had not arrived for four or five months he had to cancel the order.

Mr. Goss.—They have mentioned a case during the war when they bought paper for which they had to wait for delivery, but since then I don't think they gave us an opportunity to supply super-calendered paper to them. They simply base their opinion on the experience during the war period.

President.—What Mr. Smith claimed was that, owing to various practical difficulties, good super-calendered paper could not be produced in India. What have you got to say about that?

Mr. Goss.—We can show you printed specimens of our super-calendered paper, and it is at present largely used in Calcutta. Several printers in Calcutta are using our paper and we can get hold of their printed specimens and show you the quality of our paper.

President.—Are there any practical difficulties due to the climatic conditions in India—heat, moisture and things of that sort—which makes the production of super-calendered paper more difficult?

Mr. Mellor.—I don't think so. We have got super-calendering machines just as they have got at Home and we produce as good a super-calendered paper as they produce there.

President.—You claim that you can and do make it?

Mr. Mellor.—Yes.

President.—For how long have you been making it?

Mr. Dutt.—From the beginning of 1911. We have record samples of super-calendered paper made in 1911 which we have submitted to you.

President.—Do you wish to develop the point further as to the complaint of the "Times of India"? For their weekly they have introduced super-calendered wood-free printing and they claim it has made a considerable difference

* Not received.

to their sales and that, if they are compelled to go back to the paper they were formerly using, probably their sales would suffer.

Mr. Mellor.—It is very probable that it is much cheaper than ordinary printing.

President.—Their argument is that you cannot sell your paper at anything like their price.

Sir W. Carey.—We may say that their information must have been incorrect.

President.—I put the following question to Mr. Smith:—

Q. You have said that the Indian mills are restricted by climatic and other conditions to the manufacture of relatively few qualities of paper. I should like you to amplify that a little. I do not quite understand to what climatic conditions you are referring.

A. To the best of my knowledge the climatic condition is right against producing papers of the following nature—very highly glazed paper, because the rollers would stick to the paper owing to the heat and humidity.

Is there anything in that?

Mr. Mellor.—The roller is already heated to give a finish to the paper, so it is ridiculous to say that.

President.—Then he goes on to say—

“That is why it is absolutely impossible for them to produce Art paper at any time at all, as the coating would stick to the machine.”

My question then was—“What is your belief based on? Is it stated in any authoritative work, or is it the result of what you have actually seen yourself?” To which Mr. Smith replied—“I believe I could get this verified by paper agents in Bombay.” My next question was—“If it is so, it is an important fact and it would have to be substantiated. Naturally on points of that kind we shall ask the paper manufacturers themselves what they have got to say about it.”

Mr. Mellor.—Is this complaint made against super-calendered paper or Art paper as a whole, because they are a different proposition.

President.—I asked—

“Is it due to the moistness of the climate and heat?”

A. Yes.

Q. Is there any climatic effect as far as you know?

A. Yes.

Q. What are the conditions to which you have referred?

A. That also is a paragraph which was drafted by the conference and I would rather not give any definite evidence on that. That will be answered in Calcutta.

Then I said—

Is it a fair question to ask what these other conditions are?

A. You will be told what they are in Calcutta.

You don't admit that what Mr. Smith says is in accordance with the facts.

Sir W. Carey.—No.

President.—Do you think that, so far as the climatic conditions and things of that kind are concerned, it is no more difficult relatively to make super-calendered paper in India than it is to make ordinary machine finished paper?

Mr. Mellor.—Yes.

President.—There is the question that you don't claim to make paper in India to compete with the high price rag papers which are imported at present.

Mr. Mellor.—No.

President.—For one reason India does not produce the right kind of rag.

Mr. Mellor.—The price of that type of rag paper is 1s. a lb. or thereabouts.

President.—What is the highest price you charge for any paper that is part of your regular line of operation?

Mr. Mellor.—Stamp cap used by Government for documents.

President.—What we call plain paper in the Treasury?

Mr. Mellor.—Yes.

President.—What is the price of that?

Mr. Mellor.—The contract price is 5 annas 6 pies.

President.—Practically you don't go above that?

Mr. Mellor.—No.

President.—This leads on to the practical point. If protective duties are imposed, it would be unreasonable simply to impose an *ad valorem* duty on all kinds of paper, because in the case of those higher values you cannot compete.

Mr. Mellor.—At present, no.

President.—In the case of a good many of them it is very doubtful whether you can ever compete, or whether it would be worth while, and therefore it would be necessary to consider how that difficulty is to be got round. One suggestion that witnesses put before us several times is that the duty should be at a uniform rate on all qualities of printing paper which would give the protection required on the kinds that would compete with you. In the case of highly valued papers, as the price rose the *ad valorem* rate of duty would steadily fall. To illustrate the case let us suppose that 4 annas was the price of the paper that is competing with you, and that one anna was the duty required. That would raise the price to 5 annas a lb, and the duty would be approximately 25 per cent., whereas on a 6-anna paper it would be a little more than 16 per cent. On an 8-anna paper it would be below 15 per cent. So far as your own interests are concerned, that would meet the needs of the case?

Mr. Mellor.—Yes, except that we cannot make these papers at present.

Sir W. Carey.—It is a question of process. It is a question of further improvement in the plant, the introduction and adoption of other processes in time to come.

President.—Is it not better to wait till then? It is your view that the quantities of these highly valued papers which are coming in are very small. Can the Indian manufacturer possibly compete economically against the imported paper where the demand in India is very small?

Sir W. Carey.—I quite agree.

President.—That would mean that, to get an effective protection, the duty would have to be very heavy. There is another class of paper which, it was suggested to us, could not be made in India. That is the real Art paper. What is your view about that?

Mr. Mellor.—That is another paper we cannot make here.

Sir W. Carey.—Not at present.

President.—That is a highly coated paper?

Sir W. Carey.—Yes.

President.—The price is substantially higher than the price you commonly quote?

Sir W. Carey.—Yes.

President.—Did you attempt to make imitation Art?

Mr. Mellor.—We have never made it except during the war. We have never considered the question of loading and finish. It is entirely a question of time.

President.—If protective duties are imposed, I don't see how imitation Art could be excluded.

Mr. Mellor.—Very often the coating and loading is put in which makes it much cheaper.

President.—It might actually compete in price. The use might extend if there were a considerable difference in price, whereas it does not seem that the real Art paper would be able to do that. The difference in price is far too great. When we were in Bombay the Lithographic Printers put in a representation asking that the papers they commonly use should not be made more expensive, and that they claim that the papers they require could not be made in India. To a certain extent it is Art paper that they require. I am under the impression that they told us in oral examination that they had from time to time asked the Indian mills whether they could manufacture these kinds and they were told that they could not.

Mr. Mellor.—If they refer to specially coated litho paper, then we never supplied them, but in Calcutta and up-country we do supply litho paper. For instance, in Calcutta what we call cream wove has been supplied to big up-country presses. It is not the same litho paper as is used by the Bombay people.

President.—They drew attention to the fact that it is absolutely essential for lithographic work that the paper should not stretch.

Mr. Mellor.—As far as stretching goes it should be quite as easy to make satisfactory litho paper in this country as in Europe. If it is made in the same climate, it would tend to stretch less.

President.—What they are interested in is coated and high class glazed printing paper. In oral evidence we got further details about them. We also asked them to let us have specimens so that we could show you.

Then there is the representation of Match-makers Association. There is the blue match paper.

Mr. Goss.—We cannot manufacture that. It is a very thin paper which requires a very special machinery.

President.—Unless the match making industry makes much headway in this country it is very doubtful whether it is worth while for the Indian mills to undertake its manufacture. How practically is it to be excluded?

Mr. Mellor.—By the weight I should think.

President.—Should we put in a special entry "Blue Match paper"? I don't think there would be any difficulty in checking that.

Sir W. Carey.—I was wondering whether anything else came under that label.

President.—It comes in a long reel like a tape measure.

Sir W. Carey.—You would have to stipulate the weights. It is a very light paper. It might be blue or any other colour.

President.—There is some sort of international custom. I think all people who make phosphorus matches use blue match paper.

Mr. Goss.—They are practically all blue.

Sir W. Carey.—Apparently they import all colours.

President.—They only ask us to exclude blue match paper. I quite admit that if there were any people who require a paper of different colour for their match boxes, their position would be exactly the same.

Sir W. Carey.—Another use is kite making.

President.—Will you think over that and let us know what you think would be the best way of indicating?

Mr. Mellor.—We have thought over it. I think we can exempt it by weight and description.

President.—Chrome paper is another paper which was mentioned to us.

Mr. Goss.—That is a coated paper as well. We cannot make coated paper.

President.—I take it you are not interested in it?

Mr. Goss.—Current price in Bombay is 6-3 ps. Comparatively speaking, it is high class.

President.—Others are pretty near the ordinary c.i.f. price. They put down glazed at £32-15-0. Super-calendered £32. Litho paper £32 and Posted paper £33.

What is called litho paper is apparently litho highly glazed. Is it super-calendered?

Mr. Goss.—Litho is not always super-calendered.

President.—That is an ambiguity we have always got from others. Sometimes they say litho paper.

Mr. Goss.—There are several qualities of litho paper.

President.—Is it a trade term?

Mr. Goss.—It is a trade term. The quality varies according to the Esparto pulp in it. Esparto pulp is used a good deal in litho paper.

President.—Do you sell this to the litho works up-country?

Mr. Mellor.—Yes.

President.—In considerable quantities?

Mr. Mellor.—Not in large quantities.

President.—I gather that the bulk of the paper used is glazed or coated.

Mr. Mellor.—As a rule coated paper is used for litho printing.

Sir W. Carey.—We are ourselves going after better grades, heavier weights and better prices. We want to try and specialise those things in the years to come.

President.—Of these samples, which of the things do you make? Do you make chrome?

Mr. Mellor.—No. We can make the ordinary litho paper and not the coated paper.

President.—Can you make the ordinary litho paper, both glazed and unglazed?

Mr. Mellor.—Yes. We can easily glaze it. They have got also some samples which are white printing paper. It is only ordinary printing.

President.—They have included in that list some ordinary kinds of paper.

Mr. Mellor.—They appear to call a paper glazed which is not at all glazed. Our broker says very often dealers import such kinds and call it glazed. Super-calendered paper we can make. This Duplex paper we cannot make. We cannot make playing card boards, but at the same time we do make ordinary ivory board which will compete to a certain extent. Imitation Art we have never made except during the war, but we can make it. Poster paper with the surface on one side we cannot make.

President.—Is there any way of discriminating it?

Mr. Mellor.—Our paper is used as a poster paper to compete with that with a rough finish.

Mr. Goss.—They call it "M. G. poster paper."

President.—Would you object to the exclusion of the poster paper?

Mr. Goss.—We do compete with the poster paper.

Sir W. Carey.—This is a particular class of paper which is called M.G. paper. A special type of machinery is required for it. We intend to put it in. It is a class of trade which we want to get after.

President.—It may be urged about this poster paper that, owing to the fact that one side is glazed and the other side not, it is not very difficult to distinguish it. Do you object to its being excluded?

Mr. Goss.—Our ordinary printing paper is extensively sold for purposes for which the poster paper is used.

President.—That has been said several times, but do you object to the poster paper being excluded.

Mr. Mellor.—We do object. It interferes with the ordinary paper which is used in India as poster paper.

President.—If your paper is not so well suited for the purpose as "Poster" paper, is there any harm in excluding it?

Sir W. Carey.—There is another reason. The Carnatic Paper Mills have just installed a new machine to make this paper.

President.—They showed no particular enthusiasm in their representation to the Board.

Sir W. Carey.—They have just put in a machine.

President.—I am not questioning your statement.

Mr. Mellor.—We cannot make Flint paper.

President.—You have no objection to that being excluded?

Mr. Mellor.—No.

President.—That could be described by name.

Mr. Goss.—Yes.

Mr. Mellor.—These coated papers we do not make and Stereo papers we do not make either. We should not also object to Marble and Tissue papers being excluded.

President.—These are easily identifiable?

Mr. Mellor.—Yes.

President.—In all these cases, the trade name will sufficiently indicate the paper that was meant?

Sir W. Carey.—Provided nothing came in under these names.

President.—That was the reason why I asked you. For instance, take the Tissue paper. Does that name sufficiently indicate the class of paper, or is it at all likely that any other paper can come under that name which ought to bear a higher duty? I don't think that it is very likely myself.

Mr. Goss.—I don't think so.

President.—What is the other kind you mentioned?

Mr. Mellor.—Marble paper.

President.—That again is one of the special papers?

Mr. Mellor.—Yes. Then there are those qualities mentioned by the Christian Literature Society, viz., Grease proof paper, gum paper, etc. We should not object to having these exempted provided they are easy for the Customs people to distinguish.

President.—As far as I can judge, most of them I should think would be easy to distinguish. Supposing a case arose, it would be to the interest of the Customs Officers to secure as much revenue as they could out of it and therefore it is extremely probable that they would challenge doubtful cases.

Mr. Wood.—I think it is really declared on the back of every invoice, whether it is white printing, imitation Art, coloured or cream-laid. That is done in every case irrespective of quality.

President.—If the mills adopt that plan in future it would be all right. Those are exactly the kinds of paper that it is proposed should be subject to the higher duty, but it is not likely that it should be put in every case. Take for instance grease paper.

Mr. Mellor.—Grease paper is made in India from our paper. People buy our paper and treat it to make it grease-proof. It was started during the war.

President.—It would be a substitute for the imported Grease paper. I think one would be able to distinguish it.

Mr. Mellor.—The Customs people would see how it worked. In the case of Imitation Art paper, they might declare it as Art. This would have to be dealt with as occasions arose.

President.—I think it probable that Art papers could be dealt with on the basis of a uniform duty. It would not amount to more than 15 per cent. on the actual value. I think that it is possible, though I have not fully verified that, so that in that case it might not be necessary to make any separate distinction at all.

Mr. Mellor.—Yes.

President.—I really do not know what this Stereo paper is.

Mr. Wood.—It is a sort of blotting paper.

President.—Is it an absorbent paper?

Mr. Mellor.—Yes.

President.—Do you make it?

Mr. Mellor.—No.

President.—What do you think about exempting that paper?

Mr. Goss.—Very little of it is coming in.

Mr. Mellor.—We do make duplicating paper which is absorbent as well. It is not a very big line.

President.—You are not particularly interested one way or the other.

Mr. Mellor.—We only look at it as a future proposition, in case it is coming in free. We do make a form of that paper already.

President.—There is only one question I want to put to you about the blotting paper. The Calcutta Paper Traders Association say "Imported blottings at the same price or cheaper price have very little absorbent quality, which is essential in blottings. The better grades are almost all English made, selling at about annas 10 per lb., and so is not a competitive line and, duty or no duty, will be always demanded by those who want to use a better grade." How far do you accept that?

Mr. Goss.—There is Continental blotting coming in at about £29-10-0 per ton, which of course competes with our paper.

President.—There is one other question which perhaps I might put to you now about the practical way in which the Tariff Schedule should be drawn up. What you are chiefly interested in would come under wrapping papers, printing papers and writing papers?

Mr. Mellor.—Yes.

President.—I think hitherto the evidence we have had has rather been to the effect that the simplest plan would be to make all papers of that kind subject to the higher duty with exceptions where necessary. What remains is paper of other sorts. I am not sure that it might not be more convenient in that case to indicate the papers that were to be protected, I mean the exceptions might go far to constitute most of the other sorts. You might perhaps consider it from that point of view as to how many different kinds of paper falling in under other sorts you actually make or want to make. Blotting paper will be one of them. I presume blotting paper comes in under other sorts. I do not know whether it does.

Mr. Mellor.—If you are taking blotting paper as other sorts!

President.—It ought to come under other sorts, but I do not know whether it does.

Mr. Ginwala.—As regards these old newspapers, against what class of your production do they compete?

Mr. Mellor.—Cheap wrapping papers.

Mr. Ginwala.—What is the price of your cheapest wrapping paper?

Mr. Goss.—Two annas 10 pies per lb.

Mr. Ginwala.—Is that the selling price in the country?

Mr. Goss.—Yes.

Mr. Ginwala.—What is the price of the imported old newspapers?

Mr. Mellor.—One anna 3 pies per lb.

Mr. Ginwala.—So that there is no chance of any of your wrapping paper, as far as I can see, displacing old newspapers?

Mr. Mellor.—We cannot make wrapping paper as cheap as that.

Mr. Ginwala.—Of course there are two ways in which this can be done. You may say that such and such class of paper shall have such and such duty or you may put a uniform specific duty on all papers except certain kinds. It seems to me that it would lead to less administrative trouble, in case it became necessary to make any proposals, to have a uniform duty on paper. It would cover the kind of paper that competes against you as well as your doubtful varieties. Then you definitely exclude the paper that is not manufactured in this country and with which we are not concerned. Do you think that you can draw up a schedule on these lines?

Sir W. Carey.—Yes.

President.—You might consider with reference to Mr. Ginwala's point whether it would be quite fair to put the same duty on wrapping paper which is of the Nature Brown, or it might be necessary to have more than one uniform duty.

Mr. Ginwala.—But the point is that whatever the duty is it must cover the kinds of paper that compete against you and certain doubtful varieties. With the rest we are not concerned. They may remain as they are. Would you do that for us? You must bear this in mind. You may think that something may come in competition against you but that it does not in fact compete against you. If they are included in the Tariff Schedule they may be an unnecessary hardship to the consumer. We must be very careful in including as well as excluding.

Sir W. Carey.—We will consult the other Mills and let you have it.*

Mr. Ginwala.—In Statement No. IX you have made some very valuable suggestions about the mechanical pulp paper as to how exactly it is to be described in the Tariff Schedule. It is just possible that the American classification may not do for us.

President.—You might tell us how far you attach importance to the insertion of limitations such as those mentioned in your statement. They may not be relevant to our purpose. We have discussed with Mr. Ascoli and various newspapers who came before us headed by the "Statesman." What we put to Mr. Ascoli was—can you practically, by a chemical or a microscopic test, determine the proportion of the mechanical pulp in a paper. He said that it could be done to some extent but he was doubtful whether it could be done with certainty, even with 5 per cent. margin. None of the journalists could tell us much about that. Supposing the Board were of opinion that 70 per cent. would be a reasonable proportion to take, and then; in order to provide a margin in view of the difficulty of estimating the accuracy of the proportion of mechanical pulp, fixed the percentage at 65, what would your view be about that? If we fixed the percentage at 70, perfectly innocent people might get into trouble. It would be very difficult to prove whether the percentage was 70 or less, whereas if we fixed it at 65, there would be less danger of catching persons who had not really overstepped the line.

Mr. Mellor.—I think we should have an opportunity of discussing it with the other mills.

President.—You understand the object of fixing a lower percentage. I take it that the percentage of mechanical pulp would be the sole criterion, and it would not matter whether the newsprint was glazed or not.

Sir W. Carey.—Glazed newsprint should be put on the same basis as newsprint.

President.—Provided it contains the percentage of mechanical pulp which may be fixed. It is a paper in which The "Times of India" are interested.

Mr. Mellor.—Our point is in deciding the point of mechanical pulp if you get down to 60 to 65, with the addition of 40 per cent. Sulphite pulp you can

* Not received.

make a very strong news which might be used for competitive purposes for other lines, but when you have it at 70, the danger is not so great.

President.—You will have to consider it in consultation with the other Mills.

Mr. Mellor.—Yes.

Mr. Ginwala.—There is one point that strikes me in connection with this. In the American classification they don't say 70 per cent. mechanical wood, but not more than 30 per cent. Sulphite wood. If you have got anything like that, they may use 50 per cent. mechanical, 20 per cent. rag and 25 per cent. Sulphite pulp. Is such a thing likely to happen?

President.—Is it likely that such papers are made?

Sir W. Carey.—I understand that they have had to change their method of tariff two or three times in the last three years.

President.—Once you make the tariff, people may set their ingenuity to work. If they do that, it must be dealt with as occasion arises. All you can attempt at the outset is to safeguard against things that are likely to happen.

(Continued on the 18th December 1924.)

President.—This morning I think the most convenient plan would be to take the claim for protection and reduce it to figures. The original proposal put forward was a duty of 25 per cent. *ad valorem*, but I think you made it clear in the evidence given in Simla that you did not mean 25 per cent. on the c. i. f. price, but 25 per cent. on a price determined in the same way as the tariff valuation is determined at present. Is that correct?

Mr. Tarlton.—Yes.

President.—Let us take white printing as an example. The tariff valuation in the present tariff is 4 annas 3 pies per lb, that is 51 pies. A duty of 25 per cent. on that would be very nearly 12½ pies. Now, since your original proposals were put before the Board, there has been one substantial change, namely that the exchange has risen. I cannot for the moment recall whether you told us distinctly how far you wished us to take that into consideration. One of the other mills had definitely said that a suitable correction ought to be made for the rise in exchange. Is that also your view?

Mr. Tarlton.—Yes.

President.—At the time you put before us the proposal for 25 per cent. duty, the exchange was not as low as 1s. 4d., it was somewhere in the neighbourhood of 1s. 4½d. or 1s. 4¾d.

Mr. Mellor.—Yes.

President.—Mr. Ginwala has drawn my attention to this on page 285 of the evidence "I think you may take it that these figures are based on 1s. 4½d." I don't think it is of great importance. The important thing is to know exactly what you are asking for now.

Mr. Mellor.—Sir Willoughby Carey said later on "We should be sorry to base our desire for protection upon 1s. 6d. exchange."

Mr. Tarlton.—The figures we are going to put forward before you to-day, showing our working costs and our sales, vary from 1s. 4d. to 1s. 6d.

President.—Taking this valuation of 51 pies as being the valuation when the exchange is at 1s. 4d.—at the time the tariff valuation was fixed last year the exchange was only slightly above 1s. 4d.—assuming that everything else remained unaltered except the exchange, then it would come down to 45½ pies. Do you follow me?

Mr. Tarlton.—Yes.

President.—Now, if you wanted 12½ pies when the exchange was at 1s. 4d., then when the exchange is at 1s. 6d., we have to put it at the difference between 51 pies and 45½ pies, which comes to 5½ pies, or in all 18½ pies per lb. I can't vouch for the correctness of my arithmetic, but I think you follow what I mean.

Mr. Tarlton.—Yes.

President.—The previous tariff valuation was Rs. 595 and the duty at 25 per cent. would have been Rs. 149. As nearly as I can make out it comes down from Rs. 595, owing to the exchange, to Rs. 529, which makes a difference of Rs. 66. Is that in accordance with your calculation?

Mr. Tarlton.—I think it is about that.

President.—In that case Rs. 149 plus Rs. 66 would come to Rs. 215. I now understand what you are asking for. After having ascertained what it is you are asking for, the next point is to ascertain what you expect the imposition of this duty will in fact give you. The note I sent you indicated the importance of making it altogether clear to us what price you expect to get if the duty is raised from 7½ to just over 18 pies per lb. Are you in a position to tell us that?

Mr. Tarlton.—We shall put the figures before you later in the day, they are being typed now.*

President.—In order to save time we might switch on to the question of sales organization and things of that kind.

Mr. Ginwala.—One of the complaints made against Indian paper mills is that they do not get the best price that they ought to get having regard to the conditions of the market, that is to say, you sacrifice your production, say, in the up country markets.

President.—It is the case, is it not, in the up country markets that the price you receive from the dealers there is not higher than the price you receive in Calcutta?

Mr. Mellor.—No, we think that our own salesmen were getting the best they possibly could against competition. We are quite prepared to say that we are getting the best prices possible.

Mr. Ginwala.—Do you deny that?

Mr. Mellor.—We deny it. But for certain qualities we may have taken lower prices in order to sell.

President.—Is that a new thing or is it going on for a very long time?

Mr. Mellor.—It has been going on for the last two years or so.

President.—What is it due to?

Mr. Mellor.—To internal competition, and to competition from importers. We get papers offered against us at certain prices and we have to meet them. We had a case recently where we had paper offered against us at 4 annas a lb. and we had either to take that or lose the order.

President.—What the importers said was that they want the consumer to bear the freight charges.

Mr. Mellor.—We have been always in the position of having to follow the imported paper. It is paper either direct from English manufacturers or an English importing house here, and we have always to quote a lower price or to lose the order.

Mr. Ginwala.—May not the position be just the other way about? The suggestion made is this, that you have not got a big enough market for your production in Calcutta or in its neighbourhood, and it is therefore necessary for you to find a market elsewhere, and in doing so you have got to cut down your prices and the foreign importer has to do likewise.

Mr. Mellor.—In most cases we have to follow the importer. In a recent case which came up last month we have certainly found that we should lose the business because our salesman told us that if we wanted to get it we must reduce our price. The question is whether we should not be justified in this case, seeing that the importing house was selling at lower than their Calcutta price.

Mr. Ginwala.—If the imported paper is selling at a lower price, then it may get into the Calcutta market according to your own statement? I will give

* Statement XI, Appendix III.

you an instance. You ought to get on an average, I take it, the same selling price more or less as the bamboo paper?

Mr. Mellor.—Yes.

Mr. Ginwala.—As a matter of fact, according to the figures you have given, you don't. I am just trying to show what the position is from your own figures. Take the figure for June 1924—3-666—that is equal to 3 annas 8 pies roughly, is it not?

Mr. Mellor.—Yes.

Mr. Ginwala.—That is an equivalent of roughly about Rs. 514 per ton. But according to the evidence of the India Paper Pulp Company they realised about Rs. 565 a ton.

Mr. Mellor.—They may have had a different proportion of the various qualities of paper.

Mr. Ginwala.—But this is an average price.

Mr. Mellor.—The average might be considerably lowered by a larger proportion of the lower priced papers.

Mr. Ginwala.—If you take the whole period you may get a fair average.

Mr. Mellor.—They may have been selling more of a certain class of paper like azure-laid, whereas, on the other hand, we may have been doing a considerable quantity of unbleached paper.

Mr. Ginwala.—After all, business consists in getting a market and getting the best price for your goods. If they selected an article that fetched them a better price it shows that their business is better organized.

Mr. Goss.—They have one machine to keep running, we have 8, and therefore we have to put lower qualities on the market as well in fairly large quantities.

Mr. Mellor.—Notwithstanding the claim that they are making better paper than us even at level prices, we know exactly what their prices have been with the exception of a few outside markets, and we know that they have run into stock within that period.

Mr. Ginwala.—That is business, is it not, to hold stocks until prices improve?

Mr. Mellor.—It might affect their average price if they had sold their output as we have been doing for the last six months; their average price might have been lower.

Mr. Ginwala.—That rather points to the fact that you might have been over-producing for the time being and therefore it was necessary for you to make some sacrifice because you would not be able to stock. Can we ignore that fact?

Mr. Mellor.—Supposing they had sold only half their production, they might have got a still higher price, but they would not have made a profit. It would not have carried their overhead. You have got to produce a certain amount of paper to carry your overhead charges. You must produce a certain quantity and sell it.

Mr. Ginwala.—I am just trying to point out that they have realised a better price than you have. There is another allegation made against the grass mills—that they have got to dispose of a considerable quantity of paper as job lot.

Mr. Mellor.—We do no more than any English mill at Home does.

Mr. Ginwala.—That is hardly an argument that is convincing.

Mr. Mellor.—We can get out for you what we have sold in job lots. In the last six months it has been a very small proportion.

Mr. Ginwala.—What would be about the proportion?

Mr. Mellor.—Probably 5 to 6 per cent.

President.—I think it is desirable to get the figures out because after all that is the most effective reply that you can give.*

Mr. Goss.—As an instance, as far as my recollection goes, in one market, out of 83 tons only 6 tons were job lots. That was in the August sales for Bombay. Six tons of job lots out of 83 tons in that particular market, so you will see that the allegation is really very much magnified.

Mr. Tarlton.—Possibly reference is made to the job lot that we were bound to put on the market during the renovation period. In Calcutta we have not sold more than 7 tons a month in job lots.

Mr. Ginwala.—If that is so, it might be an ordinary incident of paper manufacture?

Mr. Mellor.—All Home mills have 'job' and 'retree' paper. Retree is sorted out at Home and invoices are sent out for such goods at a lesser price than *pucca* paper. If half a ton is retree, on that half ton they allow a certain percentage, say 10 per cent., off the *pucca* price.

President.—If the retree is disposed of in that way that does not disturb the market, but even if the quantity of the job lot is not very large, if it is liable to be launched into the market from time to time, it may unsettle the market for the time being.

Mr. Mellor.—We realise that and we have tried to avoid realising big quantities of job lots. The English manufacturers do, however, often send a lot of their cheap and job lots to India. They buy this from dealers and manufacturers all over the Continent.

Mr. Ginwala.—Another allegation is made that you are, so to say, in competition with your own wholesale dealers. It comes in this way. You do both retail and wholesale business. The wholesale dealer gets a certain price, but when the retail dealer comes to you he gets the same price, sometimes, it is said, even a better price.

Mr. Goss.—In Calcutta we deal through the paper merchants and the paper merchants draw on our stock to a great extent. I think that is the system of business the majority of them want us to work to, and it has been the system for several years past. I understand some other paper merchants wanted to contradict the statement of the Paper Traders' Association regarding the Indian mills carrying stock in Calcutta. The larger dealers do not like our carrying stock, but the smaller dealers prefer that we should do so, and even big dealers to some extent.

Mr. Ginwala.—The suggestion made is that sometimes a dealer wants to quote, he goes to you naturally and gives the quotation to his customer. Then the customer goes direct to you and he is able to get a lower quotation. Has that happened in the case of your mills?

Mr. Mellor.—Our prices are standardised and when we fix prices, we do not quote them to anybody who comes to us as a rule. The dealer gets the discount—other buyers a net price.

Mr. Ginwala.—What is the smallest order that you take?

Mr. Mellor.—We take orders for 10 reams or less.

Mr. Ginwala.—That is retail business.

Mr. Mellor.—It is a system which has grown up during the last 20 or 30 years.

Mr. Ginwala.—That is precisely the reason: how can a wholesale dealer deal with you if he finds that you are going to do retail business yourself?

Mr. Goss.—That only refers to Calcutta. As regards the rest we work on a sliding scale.

Mr. Ginwala.—Calcutta is a very important market. That is just one of their points. The business is so done that a wholesale dealer is afraid to stock any of your production, because he feels that if the prices go down in the meanwhile the retail purchaser will go to you and buy direct.

Mr. Goss.—That is quite a sound argument. As a matter of fact, during the last few weeks our scheme has been to give the wholesale dealers large quantities at a special price. At present the exchange is rising, and as we are so short of orders, it is a critical time to make any drastic change in our system. We went into the question thoroughly before the question was raised

by the Paper Traders' Association. I say that if at present we were to drastically change our policy we should merely put ourselves in the hands of a few importers. We are not quite sure whether we would be able to sell all our output in that case.

Mr. Ginwala.—You cannot have it both ways. If you have got to do business with the wholesale dealers, you have got to deal with them or convert yourself into retail dealers. You cannot combine the two really.

Mr. Goss.—We deal with the wholesale dealers who get a discount, whereas the consumers get the net price.

President.—Is that gross or gross price less discount?

Mr. Goss.—As an instance for printing the dealer gets annas 43 pies less 5 per cent., whereas the consumer would get annas 43 pies net, leaving a margin of 5 per cent.

Mr. Ginwala.—If you deal direct with the retail purchaser and if the discount that you give to the wholesale dealer is only 5 per cent., will he care to stock your goods?

Mr. Goss.—It is a question whether 5 per cent. is a large enough margin for him.

Mr. Ginwala.—If you are a wholesale dealer and if you knew that a retail purchaser after 3 months could go and purchase direct from the manufacturer paying 5 per cent. more, would you care to stock the goods?

Mr. Mellor.—This system, which has been in vogue for the last 20 or 30 years, is one which has grown up, and although among a very few of the large importers there has been a feeling that they ought to get an advantage over the smaller men, they themselves do both wholesale and retail business. They pass on their orders to consumers as we do.

Mr. Ginwala.—Whatever they do is not the point. I am speaking to you as manufacturers. That is quite a different thing from a man doing wholesale and retail business in the trade.

Mr. Mellor.—If we gave a big enough margin to the importer, these small men would probably have to go out of business and the business would become concentrated.

Mr. Ginwala.—What does it matter to you? So far as you are concerned you ought to get the best price under a more easily workable system. Supposing he goes out, what does it matter to you?

Mr. Mellor.—A large importer who wants the advantage from us is a man who also buys large quantities of imported paper. It is entirely a question of price with him whether he buys our paper or imported paper. It is on account of the competition that we had to lower the price all round.

Mr. Ginwala.—I do not wish to pursue the matter, but it does seem to me that there is some defect in your sales organisation which prevents you from getting the best price.

Mr. Mellor.—We had a system until June by which we gave an extra commission for large business. When that business got to a certain value we gave them an extra discount which went up as high as 5 per cent. If a man did with us in 6 months half a lakh worth of business, he would get 2½ per cent. extra discount. If he did a lakh worth of business, he would get 5 per cent. extra discount. That was to encourage the large buyer. But a lot of the small dealers objected to that because they felt that their business would go and they form a large part of the Paper Traders' Association.

Mr. Ginwala.—What is the practice? Do you usually give 5 per cent. discount to your wholesale dealers?

Mr. Goss.—In the case of Calcutta bazaar 5 per cent. is the normal discount.

Mr. Ginwala.—How much do you give for up country?

Mr. Goss.—It varies. At present it is 8 per cent. for a waggon load, i.e., 11 tons.

Mr. Ginwala.—For less than that?

Mr. Goss.—Up-country we deal through wholesale merchants only. We have what we call distributors in each place.

Mr. Ginwala.—They get 8 per cent.?

Mr. Goss.—Yes, on waggon-load orders. If small enquiries were sent to us, we only send it to the distributor to deal with the retail business. In the case of all wholesale orders up-country, we work on a sliding scale.

Mr. Ginwala.—What is the highest price he gets?

Mr. Goss.—In Bombay the price for cream-laid (10 tons) is 4 annas, and for ream lots 4 annas 9 pies. Thus there is a margin of 9 pies. Consequently the small business automatically goes to the larger dealer.

Mr. Ginwala.—What is the system of brokerage? In addition to the discount, do you pay anything to the wholesale dealer?

Mr. Goss.—The system of brokerage is in vogue in Calcutta only.

Mr. Ginwala.—That is in addition to the 5 per cent., or how does it work?

Mr. Mellor.—We simply pay our banian or broker on the business he brings in, instead of paying a definite sum for his services.

Mr. Ginwala.—What does he get?

Mr. Mellor.—He used to get 3 per cent. At present he gets 1 per cent. and we reserve 2 per cent. against financial risk.

Mr. Ginwala.—That you adjust at the end of the year?

Mr. Mellor.—Yes.

Mr. Ginwala.—Supposing he brings a wholesale dealer and the wholesale dealer gets 5 per cent. and he gets 3 per cent.?

Mr. Mellor.—He got 3 per cent. for accepting the financial risk.

Mr. Ginwala.—Three per cent. is rather a big brokerage.

Mr. Mellor.—He gets only 1 per cent. for his actual work. Two per cent. is not paid to him, but it is kept as reserve against bad debts.

President.—The mill accepts the financial risk.

Mr. Mellor.—Yes.

President.—The Banian no longer guarantees the buyer.

Mr. Mellor.—No.

Mr. Ginwala.—Are you trustees in respect of the 2 per cent.?

Mr. Mellor.—Till recently the arrangement was that he got in all 3 per cent., out of which he paid his own under brokers and assistants in the bazaar and also accepted the financial risks. Now on the business he brings in he only gets 1 per cent. and 2 per cent. is reserved against bad debts.

President.—You are insuring yourself instead of being insured by him?

Mr. Mellor.—Yes.

Mr. Ginwala.—Does the broker get eventually this 2 per cent., or is it that you are ensuring yourself by 2 per cent.?

Mr. Mellor.—If bad debts in the year amount to less than 2 per cent. he would share with us the difference.

President.—I do not understand this. Supposing bad debts exceed 2 per cent., is he called upon to pay? What is his liability? Why should he get it at all? Supposing the bad debts exceed 2 per cent., is he liable to pay the excess?

Sir W. Carey.—Yes.

President.—Whatever happens, the 2 per cent. either goes to him or goes in writing off bad debts?

Sir W. Carey.—No. The arrangement is this. If the bad debts are under or less than 2 per cent., half goes back to the sales and the other half he takes as his share of the risk.

Mr. Ginwala.—Take Rs. 1,000. He gets 1 per cent. or Rs. 10. You credit Rs. 20 in the reserve for bad debts. At the end of the year bad debts amount to, say, Rs. 40. Then what happens. Does he pay out of his pocket? You have got Rs. 20 in the reserve and he has got to pay Rs. 20. Is that so?

Mr. Tarlton.—That is right.

Mr. Ginwala.—The other Rs. 20 kept in the reserve is credited to bad debts?

Mr. Tarlton.—Yes.

Mr. Ginwala.—Supposing bad debts are Rs. 10.

Mr. Tarlton.—Out of the Rs. 10, Rs. 5 goes to the sales and Rs. 5 goes to the broker.

Mr. Ginwala.—What is the advantage of this method which does not ensure against anything?

Sir. W. Carey.—It has this advantage over the old system. Previously he got the 2 per cent. and guaranteed all the bad debts. If they came to less, the whole thing went to him, whereas now we get half. I may say that the 2 per cent. is calculated over a term of a good many years on the average. It does not as a rule exceed 2 per cent. Very often it is less. We don't anticipate under this new arrangement to pay 2 per cent. as we previously did.

Mr. Ginwala.—The wholesale dealer gets 5 per cent. He gets 1 per cent. and there is the other 2 per cent. which is either taken by bad debts or partly by the broker and partly by the mill?

Mr. Mellor.—Yes.

Mr. Ginwala.—Are there any other commissions to be paid to anybody besides these?

Mr. Goss.—Nothing whatsoever.

Mr. Ginwala.—Does the price you quote include all these charges?

Mr. Goss.—Yes.

Mr. Ginwala.—It also includes your freight?

Mr. Goss.—Yes.

Mr. Ginwala.—Therefore the prices you have given as the realised price are absolutely net prices from which nothing is to be deducted?

Mr. Mellor.—We shall show them as realised price less dealers discount. We shall show both gross and net.

Mr. Ginwala.—I am talking of the figures supplied by you.

Mr. Mellor.—That is the average all over India. They have not got special reference to any particular market.

President.—The freight has got to go out.

Mr. Mellor.—That is the net price which we have realised after making every allowance.

President.—What about freight?

Mr. Mellor.—Freight as well.

President.—It has been taken off; therefore these prices are free on rail, mill?

Mr. Wood.—Yes. This is the difference between the works cost and the total cost.

President.—Please tell us whether these average selling prices are free on rail, mill.

Mr. Wood.—Yes.

Mr. Kale.—It appears to me that your sale system has no uniformity in it. I find that you have one system in Calcutta with regard to wholesale dealers. In the up-country markets, as far as Delhi and Lahore, you have another system, a third system for Bombay and a fourth system for the mufassal in Bengal, Bihar and Orissa and Assam. That has created a lot of confusion and various complaints have been made. I will refer to one. It has been stated that in the mufassal in Bengal a consumer has to pay 15 to 20 per cent. more than the reasonable price, that is to say, the net price you receive, and if the system were to be improved either you would receive more or the consumer would have to pay less.

Mr. Goss.—The price is purely what the wholesale dealer quotes to the consumer. It will be very difficult for us to know that.

Mr. Kale.—That depends on your sales system. For instance, do you sell direct to a dealer in the mufassal market, or has he to purchase through a wholesale dealer in Calcutta?

Mr. Goss.—There is the Calcutta area marked out. It is purely dealt with on the Calcutta basis, but further afield in Punjab, Delhi and Lahore we have the system of dealing through distributors. We could not satisfactorily deal with all up-country business just on the Calcutta basis. We have a Calcutta area which is left to the broker who deals with all the enquiries.

Mr. Kale.—But is it not a little unfair to the consumer in the mufassal in Bengal, Bihar and Orissa that he has to purchase through the wholesale dealer in Calcutta and has to pay a higher price, whereas, if he had dealt with large dealers in the mufassal, perhaps you would have obtained a better price and the consumer also would have obtained a better price? That seems to be the defect.

Mr. Mellor.—It is a question of organisation and the financial risk which the dealer in Calcutta bazaar can assess and take better than we can. It is impossible for us here to know everybody who comes along.

Mr. Kale.—That appears to interfere with your sales. That is why I am bringing it to your notice. If the consumer has to pay more, he would only feel inclined to buy the imported paper in preference to yours, and therefore you have to give some attention to it.

Sir W. Carey.—He has to go to Calcutta dealers for the imported paper as well.

Mr. Kale.—I think there is room for some improvement in the system of sale. Now take a consumer in a small way. Have you appointed any agents at Bombay?

Mr. Goss.—In Bombay we deal with all the mufassal business from Bombay itself. But the position in Bombay is that most of the merchants outside Bombay are very small people, and I think the most practical way in a market like Bombay is to leave the up-country business to the biggest wholesale merchants in Bombay itself.

Mr. Kale.—I find that some consumers in the mufassal in Bombay deal direct with you.

Mr. Goss.—They do deal direct with us. We give them a quotation free on rail, Bombay, according to the sliding scale. But the position in Bombay is this. Very often we induce the consumer to deal with the Bombay merchant direct, because he could quote a cheaper price than we could. As I told you before, we work on a sliding scale. If a man orders 10 tons he gets it at the cheapest rate. If we get an enquiry for 2 reams, we should never quote the 10 ton rate, but according to the quantity. That is a big difference.

Mr. Kale.—I know of a case where there is an agent who sells your paper and in the same place I know of a consumer who deals direct with you.

Mr. Goss.—We have no agents in Bombay.

Mr. Kale.—Who makes it a business to sell your paper?

Mr. Goss.—Wholesale merchants make it their business to sell the paper.

Mr. Kale.—Do you mean to say you deal only with the wholesale dealer in Bombay and not with the consumer?

Mr. Goss.—We do not only deal with the wholesale dealer and importer, but on the system of a sliding scale, which means that the small enquiries automatically go to the wholesale dealer. That is how it works out in practice.

Mr. Kale.—Supposing a consumer goes to you, will you refer him to the wholesale dealer?

Mr. Goss.—I would ask him how much paper he would require and according to the quantities I would quote him the price. If he is an up-country man or a man near Bombay, I would direct him to go to the wholesale dealer to obtain his requirements at a cheaper rate, because it would not pay him to buy direct from us on account of the transport difficulties from Calcutta to Bombay and the delays which might occur.

Mr. Kale.—Is it then through the price that you regulate these markets?

Mr. Goss.—It is partly through price that Bombay business is regulated. The price is fixed on a sliding scale.

Mr. Ginwala.—You said something about 'Calcutta area;' what does that phrase mean?

Mr. Mellor.—'Calcutta area' is Bengal, Bihar and Orissa and Assam.

Mr. Ginwala.—May I take it that in what you call a very large Calcutta area you yourself deal with the wholesale dealers?

Mr. Mellor.—We deal only through dealers.

President.—You have no local distributors within this area?

Mr. Mellor.—No.

Mr. Ginwala.—This principle of 5 per cent. and other things apply to the whole of that area?

Mr. Goss.—Yes.

Mr. Ginwala.—We heard something of 'so much less Rs. 2' as the custom of the trade. What does that mean?

Mr. Goss.—The market merchants themselves naturally give a discount. That is the custom of the trade. It varies between Rs. 1-9 to Rs. 2 per cent.

Mr. Ginwala.—Do you give an extra allowance or does he give from his commission?

Sir W. Carey.—That is their own affair.

Mr. Mellor.—Discount is really part of the price.

Mr. Ginwala.—That custom does exist only on the Bombay side?

Mr. Goss.—The custom of discount exists very little on the Bombay side. As far as we ourselves are concerned we quote net prices because they are used to net prices. The importer always quote a net price, say £28 per ton c.i.f., and we work on the same basis.

President.—Let us return now to your claim to protection. The present duty on white printing, taking that as typical, is approximately $7\frac{1}{2}$ pies. If that is increased by 25 per cent., the duty would become $12\frac{1}{2}$ pies. If in addition a correction is made for the rise in the exchange, the proposed duty would be just over 18 pies, and I ascertained that these figures were in accordance with what you intended. That was what your claim meant. If the exchange were still at 1s. 4d., you would be content with $12\frac{1}{2}$ pies, but if the Board considered the exchange was likely to remain at 1s. 6d., then the duty would be approximately 18 pies. I mention these figures because we shall probably be referring backwards and forwards. The point at which we broke off is this. Assuming the Board recommend these duties and that they are imposed by the Government of India and the Legislature, what price do you think it will give you? I will give you the figures again. In the oral evidence taken at Simla, it was brought out pretty clearly what was wanted was not 25 per cent. on the c.i.f. price, but a rate of duty which bore a relation to the present duty of 25 to 15.

Mr. Mellor.—Yes.

President.—We took white printing as a typical example. The tariff valuation is 51 pies, and the present duty must be $7\frac{1}{2}$ pies. Similarly 25 per cent. on that is $12\frac{1}{2}$ pies. Supposing the exchange was still at 1s. 4d., that would be your claim. The next question is how are we to allow for the rise in exchange? If the price of the imported article in sterling is not changed, its price expressed in rupees will fall to about 8/9ths, that is to say, if it cost 15 pies before, it will cost $13\frac{1}{3}$ pies now. Is that correct?

Mr. Mellor.—Yes.

President.—If you will take the arithmetical proportion $15 : 13\frac{1}{3} :: 9 : 8$. I took 51 and multiplied it by 8 and it comes to 408. If you divide that by 9 it comes to $45\frac{1}{3}$. I am assuming that the sterling price of imported paper is just what it was last year. That is the basis on which we start.

Mr. Mellor.—Yes.

President.—On that basis, when the price was 51 pies you wanted $12\frac{1}{2}$ pies as duty. When the price is $45\frac{1}{3}$ pies, in addition to $12\frac{1}{2}$ pies you want the differ-

ence between 51 and 45½ pies. That is the method by which I arrived at the figures. But all this calculation is merely translation into figures of what I understood to be the proposal put forward. If this does not accurately represent your views, it is for you to tell us. I am only trying to interpret your claim as you stated it. If you want the duty to be something different from this, of course it is for you to tell us.

Mr. Wood.—We have taken our works cost of the various qualities.

President.—That is merely a question how you justify your proposal. All I am trying to do at present is to ascertain definitely what your proposal is, no more than that. What do you propose that the Tariff Board should recommend, that is all? Either the management of the Company has made up its mind or it has not.

Sir W. Carey.—We ask for this extra 10 per cent. in addition to an adjustment to cover the exchange, which you say works out to 18 pies.

President.—But have you actually yourselves made this translation into figures to see what this would mean?

Sir W. Carey.—No, we have not worked it out in this particular way. We have done it in another way.

President.—That is one reason why I dwelt on this point at some length to try and get the claim brought down to rupees, annas and pies, so that we may know exactly what we are asked to do.

Sir W. Carey.—We worked it out in a different way.

President.—You will remember what we said in the Steel Report, that, where it was a question of protection, *ad valorem* duties were unsatisfactory, and we expressed our preference for specific duties. The present duty, although it is 15 per cent. *ad valorem*, is calculated on a tariff valuation and becomes, to all intents and purposes, a specific duty which may be altered annually. That is why I am starting on this basis. But it is no use going on if you are still really in doubt in your own mind. Are you prepared to go on this basis?

If this duty of 18 pies is imposed on white printing, what price do you expect to get? You know what your present prices are for white printing, and it is for you to tell us what you hope you will get for it. This is the most important part of the whole examination, and it is very undesirable that you should give an answer to the question without full consideration. If you like to adjourn for the afternoon I really think it would be better. But I must say that I am a little disappointed. The point about it is this, that we must translate your claim into figures, and any recommendation we may make must state the rate of duty to be specially imposed.

Sir W. Carey.—What we understood you to say this morning was this: you asked the question whether we proposed to claim, say, at 1s. 4d.—7½ pies. duty, 1s. 5d.—12½ pies and at 1s. 6d.—18 pies.

President.—1s. 5d. does not come in at all. At 1s. 4d. 25 per cent., calculated in the same way as the 15 per cent. is calculated at present, will amount to 12 pies.

Sir W. Carey.—Yes.

President.—The difference between the value of imported paper at 1s. 4d. and 1s. 6d. is approximately 5½ pies. In order to correct the rise in the exchange it is necessary to add that to the 25 per cent. duty.

Sir W. Carey.—I still don't quite follow the 18 pies.

President.—If you add 5½ pies to 12½ pies it gives 18 pies. What I want to know is, is that in fact your proposal or is it something different?

Sir W. Carey.—That is what we want. Give us an equivalent of the selling price to 4 annas 7½ pies.

President.—What price do you expect that would give you for your white printing?

Mr. Mellor.—4 annas 7½ pies per lb.

President.—Can you tell us what price you had actually been receiving for white printing during last year?

Mr. Goss.—In Calcutta we received 4 annas net, in Bombay annas 3-10 pies. The average price would be 3 annas 11 pies.

President.—What was your price in January last year in Calcutta? I don't want Bombay prices. Have you not got that here?

Mr. Goss.—No. I cannot say off-hand.

President.—Will you be able to send it later on?

Mr. Goss.—Yes.

President.—What I would like to have is your net selling price in Calcutta for white printing, cream-laid.

Mr. Goss.—The average net price in Calcutta is 4 annas.

President.—Is that less discount or not? Have you to take 5 per cent. out of that?

Mr. Mellor.—It is the net price.

President.—The commission of 5 per cent. has already been deducted?

Mr. Goss.—Yes.

President.—Is there anything to be deducted from that 4 annas to show what you get at the works?

Mr. Mellor.—Rs. 2-8-0 freight and Rs. 2 cartage to godown.

President.—How long is it since that has been fixed?

Mr. Mellor.—About a fortnight ago.

President.—Can you tell us what it was immediately before that?

Mr. Mellor.—It was 4 annas 3 pies.

President.—It came down by 3 pies?

Mr. Goss.—Yes.

Mr. Ginwala.—You gave us 4 annas $7\frac{1}{2}$ pies. Would you mind explaining how you worked that figure out?

Mr. Mellor.—We took our works cost.

President.—Mr. Ginwala does not mean how you justify that figure, but he wants to know on what basis do you estimate that this additional duty would raise your price to this extent.

Mr. Mellor.—We have taken the present price of imported paper and added 18 pies duty.

Mr. Ginwala.—How do you get this figure of 4 annas $7\frac{1}{2}$ pies? Would you kindly explain to me how this 18 pies duty would give you that?

Sir W. Carey.—As compared with what we are getting now?

Mr. Ginwala.—Not comparing with anything.

Mr. Goss.—We have added on 18 pies to the importer's cost and allowed him discount.

Mr. Ginwala.—Your present price at Calcutta is annas 4?

Mr. Goss.—Yes.

President.—What is your present selling price for cream-laid corresponding to the 4 annas for white printing?

Mr. Goss.—The present price is 4 annas 3 pies. 3 pies is the difference.

President.—What is your selling price for 'badami'? You have two 'badamis'. Of which do you sell most?

Mr. Goss.—We sell more ordinary 'badamis' at 3 annas $4\frac{1}{2}$ pies less 5 per cent. 3 annas 2 pies is the net price.

President.—On page 227 you have given the cost and selling prices for April, May and June 1924. Could you tell us the average price for all kinds of paper for any recent month, for November or October?

Mr. Mellor.—I have not got the figures here but I will send them to you later on.*

President.—You have given the June figure as 3.66 annas.

Mr. Mellor.—That holds good up to September.

* Statement XI, para. (5).

President.—If your selling price for white printing at Calcutta at present is 4 annas, your average selling price for all kinds of paper will no doubt be lower. We want to know the average price for the whole of India.

Mr. Mellor.—The average selling price is between 3 annas 9 pies and 3 annas 10 pies.

President.—Is that the figure you actually worked out for your own guidance? Let us assume for the moment that it is 3 annas 9½ pies.

Sir W. Carey.—That is the average price for all classes of paper sold in all the markets in India.

President.—I am not in any doubt about it. Let us assume it is 3 annas 9½ pies. The difference between that and 4 annas 7½ pies is 10 pies. The question I want to ask you is that, as the additional duty is 10½ pies, on that basis I can understand how you arrived at 4 annas 7½ pies as the price which the additional duty is likely to give. But apparently you have not worked in that way as you have not been able to give us the average selling price. Mr. Ginwala's point is how did you arrive at this figure of 4 annas 7½ pies as the price you are likely to get?

Mr. Mellor.—We took the works cost for white printing and depreciation.

President.—I can understand your bringing in the works cost to justify that price. But you can justify it to all eternity, but you won't get it unless the conditions of the market are such that you can get it. I am not on the point just now as to what you ought to get, but whether you will get it. It does not in any way depend on your cost of production. With this rate of duty, in competition with the imported paper how did you arrive at the conclusion that you would actually get 4 annas 7½ pies?

Mr. Mellor.—We took the dealer's Calcutta price for imported white printing at £28 a ton and added 18 pies duty, dealer's charges and profit.

President.—That brings us down to the point mentioned. Do you start with the c.i.f. price of imported paper?

Mr. Mellor.—£28 per ton.

President.—That figure of £28 is taken from the tender received by the Controller of Printing?

Mr. Mellor.—I think it was slightly under that.

President.—What additions do you make to that?

Mr. Mellor.—To that we added 18 pies, dealer's charges, godown rent, etc.

President.—Give me the rupee equivalent of £28.

Mr. Mellor.—

	Rs.	A.	P.
£28 equals	373	5	4
Add 18 pies duty per lb. equals, per ton	210	0	0
TOTAL	583	5	4
Dealer's charges to godown	38	0	0
TOTAL	621	5	4

President.—What sort of charges would this be?

Mr. Mellor.—Port trust clearance charges, cartage charges to the godown, handling charges and establishment charges.

President.—Anything for the rent of the godown?

Mr. Goss.—That comes under establishment charges.

President.—Do you make any allowance for that?

Mr. Mellor.—We have taken 6 per cent. to cover all these charges.

President.—To cover all godown charges?

Mr. Mellor.—Yes. In all they amount to Rs. 38 per ton.

President.—Are there any other additions?

Mr. Mellor.—After that we have allowed for 5 per cent. profit, or Rs. 31, giving a total of Rs. 652, which is the equivalent of 4 annas $7\frac{1}{2}$ pies.

President.—Is that the equivalent of 4 annas $7\frac{1}{2}$ pies?

Mr. Mellor.—Yes.

Mr. Ginnwala.—This is for white printing?

Mr. Mellor.—Yes.

President.—The next question is what do you estimate your average selling price will become with this new rate of duty? One must attempt to form some estimate.

Mr. Mellor.—We take it that the average price is 4 annas $7\frac{1}{2}$ pies.

President.—The same is the average for all kinds of paper?

Mr. Mellor.—Yes.

President.—If your average price of white printing is at present about 3 annas $9\frac{1}{2}$ pies and the average price for all kinds of paper is 3 annas $8\frac{1}{2}$ pies, it is possible that your average for all kinds of paper will be lower than the average for white printing. On the other hand, you know more than I do. I put this to you in case you have anything to say against it.

Mr. Mellor.—It will vary.

President.—Do you think there won't be much difference between your average price and the price you will get for your white printing?

Sir W. Carey.—The difference would be a pie or so.

President.—How do you justify your average price of 4 annas $7\frac{1}{2}$ pies? In a statement handed in at Simla you say "if an additional 10 per cent. duty is imposed we do not look to get this figure of 4 annas per lb. of paper, but we do look to stabilise sales round about the present prices, thereby enabling us to fill our works with orders at present prices." This passage seems to define what your claim was at that time. What you wanted to get was to be sure of getting something less than 4 annas a lb.

Sir W. Carey.—At the time when we made the statement the exchange was at 1s. 5d.

President.—There are two separate questions. The first is what price do you think you ought to get, and the second is the amount of duty necessary in order to enable you to get that price. I am on the first question. At that time you were asking for something much less than 4 annas $7\frac{1}{2}$ pies.

Sir W. Carey.—That was anticipating a very great reduction in our costs. Up to the present time it has not been realised.

President.—It is rather a big jump in the price that you think you ought to get. I can quite understand it if you now said that you could not possibly carry on with less than four annas, although in Simla you said that you did not expect to get four annas. That would be a perfectly understandable thing. But to go up another $7\frac{1}{2}$ pies is a big jump.

Sir W. Carey.—This is based upon figures as I see them turning out to-day.

President.—It is a change for which we are hardly prepared. If you look up your figures on page 227 of the printed evidence it will be seen that your average realised price for 1923-24 was 4.028 annas per lb., which covered works cost, depreciation and fair return on capital. Your June figure is 4.029 annas, that was the average selling price for 1923-24. It comes to Rs. 565 a ton.

Sir W. Carey.—That of course was based upon a reconstructed capital.

President.—Who suggested it?

Sir W. Carey.—That was one of the ways we were looking at it at that time.

President.—If the Board find that your view varies so violently and rapidly, it is a little startling.

Sir W. Carey.—The question of exchange comes in.

President.—The question of exchange does not come in. It is a question of what price you think you ought to get. The price you ought to get would not vary with the exchange except in so far as the higher exchange would reduce your cost. Before going on with this question, could you give us the

figures which Mr. Ginwala asked for about costs? I take it that the works cost given in the Table at page 227 of the printed evidence is arrived at exactly as in our form. I have verified for 1923-24. It came out absolutely the same. There is no ambiguity as regards what works cost means?

Sir W. Carey.—No.

President.—What is included in the other costs? You have got works cost and then the total cost, and the difference must be costs which are not works cost? What exactly is included in that?

Mr. Wood.—Head office establishment and selling charges such as freight, brokerage, commission, etc.

President.—It includes freight?

Mr. Wood.—Yes.

President.—It includes, generally speaking, Head office expenses, Agents' commission and a fair return on capital. Does it include interest on working capital?

Mr. Wood.—No.

President.—Has no allowance been made in the Table for interest on the working capital?

Mr. Wood.—It is not allowed in the Table originally given.

President.—Look at the Table given in the same page above. You have given preference shares, ordinary shares and miscellaneous finance. I thought that miscellaneous finance covered the working capital.

Mr. Wood.—No.

President.—Why did you omit working capital in this case? It seems very unlikely that you could have overlooked a very big item like that.

Mr. Wood.—These debentures, preference shares, ordinary shares and miscellaneous finance are on the basis of recapitalisation. The total is Rs. 130 lakhs, and at the rate of 8 per cent. it works out so much per lb.

President.—It is these figures that we are using. I presume that in your capital you made provision for working capital?

Mr. Wood.—Yes.

President.—Then the interest on working capital must have been included in the fair return on capital. I must presume that working capital is in there somehow. It is hardly possible that you could have overlooked it. It is not a minor item.

Mr. Ginwala.—By how many tons did you divide the total?

Sir W. Carey.—It is not a fixed quantity.

Mr. Ginwala.—I would like to keep your works cost and incidental charges separate from your return on capital and depreciation. I simply want to know how much capital you have taken, I mean as fixed and working capital. Then, of course, we laid down certain definite principles which we had applied in the case of the other industry, and we shall apply them in this case also. We examined Sir W. Carey on that point and he agreed that the view we took was reasonable.

President.—I would rather like to get your actual figures for last six months.

Mr. Wood.—(Hands in two statements, one* showing the cost per ton and the other† showing the total cost.)

Mr. Ginwala.—What are these financial charges?

Sir W. Carey.—Interest on debenture, discounts on bills and London drafts, etc.

President.—What about depreciation?

Sir W. Carey.—That is not included in this.

President.—Do you tell us that these figures are no longer comparable to the figures given on page 227 of the printed evidence?

* Statement XI, Appendices VI, VII and VIII.

† Statement XI, Appendix IV.

Sir W. Carey.—Those are actuals and specially worked out for you.

President.—We are on the question of your claim to protection. All that has occurred since then to make you change your view is that your works costs are approximately $3\frac{1}{2}$ annas per lb., which is about a quarter of an anna above what they were in June 1924. According to the statement that you have put in just now, as far as I can judge, that is the only difference. There is nothing unexpected as regards capital charges. Depreciation is just what it was.

Mr. Mellor.—Our June figure of 4 annas was not correct as certain adjustments had to be made.

Mr. Ginwala.—Please tell us whether up to “Miscellaneous charges” where you have got Rs. 36,70,000 which works out to Rs. 492 a ton, the figures are in accordance with our Form I. The figures in Form I are intended to represent only your works costs and nothing else.

Sir W. Carey.—They are in accordance with your Form I.

Mr. Ginwala.—To that has to be added what we call overhead charges and manufacturers’ profit. I am afraid these figures are not in keeping with our method of arriving at your selling price. What I want to know is this. Will you give us first of all what figure you have actually taken for your working capital for six months, or what do you estimate your working capital ought to be in a year, with this output of 15,000 tons?

Sir W. Carey.—About Rs. 60 lakhs, for the full output.

Mr. Ginwala.—Is that what you consider a fair figure?

Sir W. Carey.—Yes.

Mr. Ginwala.—What return did you claim on Rs. 60 lakhs?

Sir W. Carey.—In order to make it worth anybody’s while, we mentioned in our letter of 18th July 8 per cent.

Mr. Ginwala.—Working capital is, we take it, a means of financing your production. It is not a question of making it worth anybody’s while. At what rate did you get your working capital, or what ought to be the rate? We have allowed $7\frac{1}{2}$ per cent. Do you consider that reasonable?

Sir W. Carey.—Yes.

Mr. Ginwala.—What do you claim to be your block value, on which you ought to get a return?

Sir W. Carey.—When you speak of block value, do you mean the present-day value?

Mr. Ginwala.—You don’t differentiate in this Rs. 130 lakhs between the working capital and the block value which ought to earn a dividend, is that your case?

Sir W. Carey.—No, we don’t.

President.—What you claimed originally was 8 per cent. on Rs. 130 lakhs?

Sir W. Carey.—Yes.

President.—If you take away Rs. 60 lakhs from Rs. 130 lakhs it becomes Rs. 70 lakhs.

Mr. Ginwala.—Rs. 70 lakhs is your block value.

Sir W. Carey.—That is what we took.

Mr. Ginwala.—So Rs. 130 lakhs includes everything?

Sir W. Carey.—Yes.

Mr. Ginwala.—As regards Head office charges, commission and various financial charges, are these actuals?

Sir W. Carey.—Yes.

Mr. Ginwala.—Including freight and everything?

Sir W. Carey.—Yes.

Mr. Ginwala.—You add depreciation and the dividend to get your final selling price?

Sir W. Carey.—That is correct.

President.—I would like to start again with this 4 annas $7\frac{1}{2}$ pies, or if you prefer it, to take it in rupees per ton. Which is more convenient for your purpose?

Mr. Mellor.—In rupees per ton.

President.—That was Rs. 652. I want to know how you justify that price?

Sir W. Carey.—We took our works cost at Rs. 582.

President.—Your works cost was Rs. 492 for the last year.

Sir W. Carey.—Yes, it was Rs. 492. Head office, selling and freight charges amounted to Rs. 32-8-0.

President.—What are these financial charges?

Sir W. Carey.—Interest on Bank account and loans.

President.—That is interest on working capital?

Sir W. Carey.—Yes, but we took it in some other way.

President.—Your charges on that account may be high in this particular half year. We are not concerned with the peculiar circumstances of a particular mill when we are considering the question of working capital. One has to adopt some standard. The interest on your working capital of Rs. 60 lakhs at $7\frac{1}{2}$ per cent. is Rs. 4,50,000, which is about Rs. 30 a ton.

Sir W. Carey.—On what output?

President.—If you took 18,000 tons, it would be Rs. 25 a ton.

Sir W. Carey.—We took 16,800 tons a year, or 1,400 tons a month.

President.—The interest on working capital would be Rs. 27 a ton; the return on Rs. 70 lakhs would be Rs. 32 a ton. That brings you to Rs. 589. It does not make a great deal of difference. Then, depreciation on your block value of Rs. 70 lakhs at $6\frac{1}{4}$ per cent. would be about Rs. 27 a ton.

Mr. Mellor.—We took Rs. 25 a ton calculated at 6 per cent. on Rs. 70 lakhs.

President.—I am putting down Rs. 27 for the moment for interest on working capital and Rs. 32 for dividend on the fixed capital at 8 per cent.

Mr. Mellor.—We have taken Head office Rs. 37 and you have taken Rs. 27? Rs. 27 for depreciation and Rs. 32 for interest.

President.—Rs. 27 for working capital and Rs. 32 for the fixed capital.

Mr. Mellor.—We took it in a different way. We took our works cost as Rs. 582, we added depreciation Rs. 25, that comes to Rs. 607, then we added on a profit of $7\frac{1}{2}$ per cent. on Rs. 607.

President.—If you insist upon calculating in that way, all the trouble we took in endeavouring to explain the view which the Board take has been absolutely thrown away. Do you not think it desirable to have some regard for the views of the Board?

Sir W. Carey.—Taking it on your basis

President.—Let me put to you the figures I have got here. Rs. 492 is the works cost, to that we have added Rs. 38 for Head office charges, selling and freight charges. We have then added Rs. 27 for depreciation, Rs. 27 for interest on Rs. 60 lakhs of working capital, Rs. 32 for dividend on 70 lakhs fixed capital, and the total comes to Rs. 616.

Sir W. Carey.—That is correct.

President.—I definitely put it to you that you are not entitled to bring in the financial charges. We are considering the question of protection, we are not considering the financial situation of the Company. What we are interested in is, what is a fair allowance to make on account of interest on working capital and dividend on fixed capital. We cannot go beyond that, and on this basis we do not get beyond Rs. 616.

Sir W. Carey.—Naturally. We accept that as regards financial charges.

Mr. Mellor.—We have simply put our statement in on our actual figures. I quite see that is no good to you because you have got to compare it with the figures of the other companies.

President.—I would like to put this point about freight. When we were considering how you arrived at your figure of 4 annas 7½ pies we were comparing it with the average selling price of white printing at approximately 3 annas 9½ pies, but in both cases these prices were f.o.r. mills. In that case you must not bring in the freight to arrive at this price. Are you in a position to separate for these six months the Head office charges from the freight and selling charges? I want to know what the fair selling price in Calcutta would be.

Sir W. Carey.—We will do that.

President.—I will now turn to my note. You see how I worked it out in my note. I begin with "What is a fair selling price for the Indian manufacturer f.o.r. works" but I ask if you are prepared to indicate what charges ought to be added to the c.i.f. price in order to arrive at your selling price in Calcutta. At any rate can you give me that? It is also indicated pretty clearly in my note. I ask what you consider a fair selling price of Indian paper f.o.r. works, and then to add the charges that intervene between the works and your market in Calcutta. Look at the beginning of my note. I mention the points which I thought should be cleared up—

- (a) What is a fair selling price for the Indian manufacturer f.o.r. works?
- (b) What charges has the Indian manufacturer to meet in addition to the fair price at the works before he markets his paper.

Mr. Mellor.—We made out our works costs on our system. We have not given it in the way you want unfortunately. We have put in interest and financial charges.

President.—It is not a question of what you put in. It is a question of what is it that you consider a fair selling price f.o.r. works?

Mr. Mellor.—If our price is 4 annas 7½ pies, that would be 4 annas 4½ pies f.o.r. works.

President.—May I take that as what you actually arrived at?

Mr. Mellor.—We have to add Rs. 37-8 for cost of selling and distribution in Calcutta.

President.—That includes other things surely besides that?

Mr. Mellor.—That includes Head office charges, selling and freight charges. We have taken works cost Rs. 544 and added to it the cost of selling, distribution, and freight.

President.—May I just read this.

"In its final deliberations about the question of protection for paper the Board will have to come to definite conclusions on certain points, where vagueness is inadmissible. They will have to be reduced to figures. The following seem to be the most important:—

- * * * * *
- (3) What is a fair selling price for the Indian manufacturer f.o.r. works?
 - (4) What charges has the Indian manufacturer to meet in addition to the fair price at the works before he markets his paper?

The Board have not been very successful, so far, in getting definite expression of opinion on these points from the manufacturers. It is important, therefore, to state the case fully".

I then proceed to go into the matter in some detail as regards the points which ought to be cleared up. I say "The question what is a fair selling price for the Indian manufacturer must, of course, ultimately be settled by the Board after weighing the whole of the evidence about the cost of production. What is wanted from the manufacturer at present is a definite statement of the price they are aiming at, the price which they believe the higher duty will give

them. Unless the Board clearly understand what the claim is, there are sure to be blunders. Are the following prices wanted f.o.r. works?

	A.	P.
White Printing	4	0 per lb.
Creamlaid	4	3 per lb.
Browns	3	0 per lb.

If these are not in accordance with the claims made, what are the prices actually wanted?

When the Indian manufacturer sells in Calcutta he has first of all to meet the freight from the mill. This is apparently only Rs. 2-8-0 a ton for the three mills on the Hooghly. It is higher from Raniganj, but that mill has a compensating freight advantage up-country. The principal addition to the fair price c.i.f. works must be the selling charges, *i.e.*, selling agents' commission and so on. The manufacturers should tell us definitely what these amount to. One firm (The India Paper Pulp Company) commonly quotes prices including freight to destination, and the other mills apparently do not. If ambiguity is to be avoided, it is essential to ascertain first what price the manufacturer ought to get f.o.r. works, and then to ascertain what price his paper must sell for in Calcutta if he is to realise that price at the works." I don't think it is unreasonable that I should ask you to be ready to reply to these questions.

Mr. Mellor.—We have put items in our works costs which we now see should not have been put in. We have taken the cost of white printing at the mill at Rs. 544-8-0, and cost of issuing and distribution including railway freight, carriage and cost of selling in Calcutta, as Rs. 37-8-0 per ton, giving a total cost of Rs. 582.

President.—These freight charges and so on have not been shown in Forms I and V that you submitted to the Board in last June?

Mr. Mellor.—No. We excluded them.

President.—I think in the oral examination we asked about this item and we were told in reply that this included freight charges. That item does not appear in form IV. At this stage the freight charges were entirely eliminated from the cost?

Mr. Mellor.—That is correct.

President.—In the statement you have submitted to-day the works costs proper are entirely separated. The only way in which they are intermingled is that apparently the freight and selling charges are intermingled with the Head office charges.

Mr. Mellor.—That is correct.

President.—I thought it reasonable that you should be prepared to answer definitely the questions I put in the note I sent you.

Mr. Mellor.—We have put them up in a wrong way, I quite admit. We put them up because we understood that the Bengal Mills were putting them up on this basis and we thought you approved of their way of putting them up.

President.—A fair selling price f.o.r. works to which should be added all charges incurred between the mill and the purchaser in Calcutta,—if I were asked to make it clear now, I don't think I would succeed in making it clearer.

Mr. Mellor.—That is the same thing we put in this statement. Rs. 37-8-0 includes freight, carriage and broker's commission, and distribution cost in Calcutta.

President.—Can you separate them into different items and describe them?

Mr. Mellor.—Freight charges Rs. 2-2-0, cartage Rs. 2-0-0, and the other charges are based on brokers and discount charges.

President.—Is there any provision, for instance, made for godown rent, or is that a part of your own property?

Mr. Mellor.—No, we do rent a godown.

President.—Have you included that?

Mr. Mellor.—I am not sure.

President.—We have got as far as Rs. 4-2-0, that leaves us with Rs. 33-6-0. How do you get at that figure?

Sir W. Carey.—If you look at the statement we put in Rs. 492-31 per ton. That answers your question here as to the f.o.r. works price.

President.—No. Your works costs won't tell me what is a fair price for you f.o.r. works. What I wanted was a clear statement of what you considered a fair price f.o.r. works. All I have got so far is that you want an average price of 4 annas 7½ pies, but that includes freight to all destinations. The reason why I want to separate it and get it free on rail is that it is a doubtful question whether the Indian manufacturer is entitled to such a rate of protection that will enable him to sell in all Indian markets. The needs of Burma might be provided for by a mill in Rangoon, the needs of Madras by a mill in Madras, and the needs of Bombay by mills near Bombay, and whatever view the Board may take of that, the Legislature and the Government of India are entitled to form their own opinion. They may take a different view of this question, and the only way in which the facts can be clearly put before them is, first of all, to get the fair selling price f.o.r. works. Obviously the market at the door of the Titaghur Mills is not a large one, and naturally one wants at the next stage to see what additional charges have to be incurred in placing the paper on the market which is the nearest big market, and that includes not only Calcutta but the whole of the Calcutta area. It may often extend further than that. Then in addition the Board is perfectly ready to consider any evidence you may tender as to the necessity of making an allowance in the scheme of protection for what it costs you to send your paper to the more distant markets. But, as I said, these distant markets are doubtful points and unless I can get the information spaced out in that way, I cannot present the Government of India with a clear statement of facts, and that is why I laid such stress in my note on getting a clear statement as to what you consider a fair selling price f.o.r. works.

Mr. Mellor.—This Rs. 37-8-0 includes railway freight, cartage, cost of selling through broker in Calcutta and godown expenses and commission.

President.—What sort of commission is that?

Mr. Mellor.—2 per cent. and 1 per cent.

President.—These two together would be about Rs. 16 to Rs. 18?

Mr. Mellor.—It also includes rent of godown and establishment.

President.—After all, 4 annas 7½ pies is the net price. These figures should not include discount.

Sir W. Carey.—It is Rs. 578 a ton.

President.—Is it wise for you on behalf of the company to put in figures of which you are not sure?

Mr. Mellor.—I am very sorry I was entirely misled. I understood the other mills, who had seen you, had put it this way and we followed on those lines.

President.—May I just put it this way? What you ought to get need not necessarily be what it actually was in the first 6 months of the current year. It is for you to consider to what extent this may be taken as typical as to what your costs are likely to be. We have also to consider to what extent these are reasonable. As regards the overhead, in the first place, there is the "overhead charges and agent's commission." You gave certain figures in reply to our questionnaire. I do not recollect that there was much discussion when we met in Simla, and I take it, in the ordinary course of business, you would adhere to the figure you then gave. The next item is the interest on working capital. If this figure of 60 lakhs is considered sufficient, it looks as if that was the figure for working capital included in 130 lakhs at page 227 of the printed evidence. If so, the balance of the capital on which the manufacturers would get profit would be 70 lakhs. What remains is depreciation.....

Mr. Ginwala.—As regards the question of manufacture of paper from grass in relation to manufacture of paper from bamboo, the two may be dealt with separately, I mean as representing different processes, or the industry may be taken as a whole. If we take the paper manufacture as a whole, would you

admit that you ought to be able to sell your paper at the same price as bamboo paper and *vice versâ*?

Sir W. Carey.—We ought to.

Mr. Ginwala.—Also would you admit that, other things being equal, you ought to realise the same price as bamboo manufacturers?

Sir W. Carey.—Yes.

Mr. Ginwala.—It follows from these two propositions that, in applying any scheme of protection, we must base our recommendations on whichever happens to be the lower selling price. We cannot say now whether your prices are lower or the bamboo prices are lower. Is not that so?

Sir W. Carey.—Yes.

Mr. Ginwala.—If we find that paper can be manufactured by you at Rs. 560 and by the other people at Rs. 580, they cannot claim Rs. 580, but they must be satisfied with Rs. 560.

Sir W. Carey.—Or *vice versâ*.

Mr. Ginwala.—The position as regards the two industries is this. You represent the older part of the industry and the other people represent the newer aspect of it.

Sir W. Carey.—Yes.

Mr. Ginwala.—Their production at present is on a small scale and therefore necessarily their works cost, as well as the cost above the works cost such as depreciation profits and so on, would be necessarily higher than they would be if an industry was on a more economic basis or producing a larger output.

Sir W. Carey.—It might be so.

Mr. Ginwala.—We have got to decide what ought to be their works cost *plus* the other charges, if the output was on an economic basis. For present purposes in their case we have taken 5,500 tons, and we have assumed what their capital would be and we have calculated according to the principles we have already explained to you what they ought to get. On the footing that their output is 5,500 tons, would it be too much to expect that you ought to get what they ought to get, at least on their footing of 5,500 tons, if not more?

Sir W. Carey.—In selling price?

Mr. Ginwala.—Yes. That would be the limit of the protection that the two parts of the industry ought to get. That is to say, supposing it is found that they ought to get Rs. 540 on the footing that their production has reached 5,500 tons, that would be a fair equivalent of what you ought to get.

Mr. Mellor.—Do you mean eventually?

President.—The suggestion is that, if within a year or two of obtaining production of 5,500 tons, the bamboo paper manufacturers will find a certain figure—let us say 4 annas a lb.—as a fair selling price, is it not reasonable to suppose that the grass manufacturers, in view of the long period they have been working and on the scales in which they are operating, should be able to sell at the same price?

Sir W. Carey.—We should be in a position to sell at the same price.

Mr. Ginwala.—Could you claim that you ought to be entitled to a higher selling price than they would be after their output is increased to 5,500 tons, which is very much lower than yours?

Sir W. Carey.—Yes. Is this question connected with the question of the duty on pulp?

President.—Here is an industry which has already got a comparatively large scale of operation and which has been working for the last 30 or 40 years; on the other hand, here is a small industry which has just been started. The suggestion is that, if the Board are satisfied that when they double their present unit they will be able to manufacture at a cost which will enable them to sell the paper at 4 annas a lb., it is reasonable to say that the grass manufacturers ought to be able by this time to sell their paper at that price.

Sir W. Carey.—There is another point of view of course and what strikes me is this. If the object of the enquiry is to keep the industry going, and

provided the Board are satisfied that grass mills have done and are doing and going to do everything that is possible to get their prices down to the very lowest figure, and inspite of that, owing to the fibre which they work, or owing to competition of brand new mills, they find they are unable to reach that price, it seems it would be a very unfortunate thing to put protection at a figure which would allow the grass mills to die and leave you with one new mill only. It would be very reasonable to allow the bamboo mill to make a little extra profit and still keep your grass mills alive. The grass is in the country and it has got to be used. It is doubtful whether, in this particular district, the supply of bamboos will be sufficient if we all wish to change over. It would be very natural to suppose that if bamboo was available for all the grass mills to change over, we would be forced to do it if we found that they were able to keep down their price.

Mr. Ginwala.—That is a point of view we have got to bear in mind. I am putting that to you from a broader point of view—from the country's point of view. If the country finds that it can get its paper cheaper from bamboo than from grass, is there sufficient justification, because paper has been manufactured from grass for so many years, that the country should be asked to pay a higher price for its paper?

Sir W. Carey.—There is no justification; but reasonable time should be given for the present grass mills to see if they could convert themselves into bamboo mills, supposing bamboo is found to be eventually easy to work both from the point of view of cheapness and accessibility.

Mr. Ginwala.—That is to say, there should be a sufficient interval during which the grass manufacturer can turn over to bamboo?

Sir W. Carey.—The present arrangements should be such as to assist the grass mills until the supply of the bamboo is established.

Mr. Ginwala.—It is rather opposed to the ordinary course of affairs that an older industry should get higher protection than an industry newly established. That is what your proposition amounts to.

President.—The suggestion may be that your costs ought to have been brought down at least to the level at which the bamboo people are hoping to manufacture. If you are unable to do so, the inference may be that it is not a suitable case for protection. That is the underlying suggestion.

Sir W. Carey.—At the present time it is not yet established, I submit, that bamboo is obtainable on a very large scale in this district in sufficient quantities, and that the market is going to be satisfied only with bamboo.

President.—The last point you mentioned is an important one. If the evidence we have had is correct—there are a considerable body of consumers in India who prefer the grass paper because of the particular qualities it possesses.—then, unless bamboo paper possesses the same qualities, it may not in fact displace the grass paper. But what is conceivable is this. It may be desirable in that case that the grass mills making paper should continue to exist in India. It is quite possible that a smaller number of mills would suffice to produce all the grass paper required, but there would be no object in trying to keep alive a larger number—that is a possibility—because it would be an industry which has no scope for any development. That is an aspect of the case worth considering.

Sir W. Carey.—Yes.

Mr. Ginwala.—For that reason it may perhaps be of interest to you to study the evidence that has been taken during the last two or three days [*i.e.*, the India Paper Pulp Company's Evidence]. I will just give you all their figures which you may consider and give us your opinion. Their works cost may be roughly taken at Rs. 340, *i.e.*, with the increased output. Would you please look at page 12 Appendix I, 3rd column 5,500 ton. mill? There you see the works cost is given as Rs. 340-7 annas. They have taken the total charges, which brings the figure to Rs. 494, but we went through them over again and certain alterations were made in the other charges. We calculated according to our method and they gave us their commission charges, freight and other things. The total of it came to about Rs. 203 above the works cost. That gives a total of Rs. 543.

Mr. Mellor.—Do those figures include interest and depreciation?

Mr. Ginwala.—That is the figure which they hope to work up to.

Mr. Mellor.—Is that the works cost?

Mr. Ginwala.—No, it is 'all in' cost, including profits.

President.—Rs. 543 is the selling price.

Mr. Ginwala.—Freight and certain other charges, which come to Rs. 28, are included in that. If we decide that paper ought to be manufactured in this country and we don't differentiate between bamboo paper and grass paper, that is the figure which you also ought to get.

President.—You have got to assume that for the purpose of argument this is a reasonable estimate—it may be or it may not be—and that Government are satisfied. Then, is it possible on that basis to make out a case for giving a higher rate of duty to the grass mills?

Mr. Ginwala.—You gave us this figure of Rs. 662 and I will try to show how far you are out compared with the new industry.

Mr. Mellor.—Their present works cost is Rs. 457, to which you would not add as much as Rs. 203.

Mr. Ginwala.—We have not got detailed figures. There would be reduction in the working capital and so on.

Mr. Mellor.—In any case it would be less than Rs. 203.

Mr. Ginwala.—Taking their works cost at Rs. 457—that of course has to be explained—if you add as much as Rs. 203, it is less than Rs. 662.

Mr. Mellor.—It is less by two rupees.

Mr. Ginwala.—If you add Rs. 203, I would like you to consider this point and give us your opinion. I put to you the method of deriving the price at which foreign paper competes against you, and I suggested to you that if we deducted the duty from your realised prices, you would very nearly get the figure at which foreign competing paper could sell in the country.

Sir W. Carey.—Yes.

Mr. Ginwala.—Do you adhere to that or will you change your opinion? There is an underlying assumption that you are supposed to get very nearly the foreign price. We have taken 3 annas 6 pies as your realised price, which works out at Rs. 550 a ton. Deducting from it the 15 per cent. duty, the remainder may be taken as approximately the price under which the foreign competitor cannot compete against you. He has to get something more.

Sir W. Carey.—The trouble is that the foreign competitor does not necessarily fix his price at which he can get profit.

Mr. Ginwala.—He cannot always sell below that.

President.—In your case he is already selling below that. You do not know whether he is going to carry his evil practice any further.

Sir W. Carey.—We don't know.

Mr. Mellor.—You are taking about the importers' price.

President.—Quite clearly there is no one kind of paper coming in and competing with yours but there are several kinds of paper. For practical purposes the suggestion is that this can be taken in a certain sense as the price at which imported paper is entering the country and competing with your paper, but you cannot say that it is a Brown paper.

Mr. Ginwala.—In your case I have taken the average. It is very difficult for me to say or for anybody to say what particular kind of white printing comes into competition. For practical purposes we get over the difficulty by getting the price of the paper that actually competes with you.

Sir W. Carey.—I should like to send in a note about that.*

Mr. Ginwala.—The price that these other people have realised is Rs. 565 a ton as against your Rs. 515. I would like you to explain why that is so?

*Not received.

Sir W. Carey.—Yes.

Mr. Ginwala.—Do you know of any reasons why they should be able to get a higher price than you?

Sir W. Carey.—As a matter of fact up till now we have been under the impression that our prices were at the same rate or rather, in some instances, better.

President.—There is this to be said. There may be considerable variations in the class of paper that you may make. What they said about their selling in Calcutta was that if they sold a higher percentage in Calcutta, it would give them a higher average. On the other hand I had the impression that they went pretty far afield.

Mr. Mellor.—They may have sold a bigger proportion in Calcutta.

Sir W. Carey.—It might be, for instance, with a bigger output we have taken larger contracts at lower prices.

President.—It is really a point for you to consider.

Mr. Mellor.—We were under the impression that we had been selling at the same price.

President.—If it is a calendar year there is not very much difference. In April you went up to 3.9 as against 4.07, which is their average from January to May.

Mr. Ginwala.—You told the President that you would get 4 annas 7½ pies per lb. if the duty was increased to 18 pies per lb. and that you calculated on the c.i.f. price plus other charges. I worked it out by the other method I just now described to you. It works out in pretty much the same way. For my purpose it is better to know how you are going to realise in practice that price than to assume the price at which some paper that may not compete with you is sold. That is to say, I deducted from Rs. 515 the duty, and to the remainder I added Rs. 210 or 215. Though a particular paper may not compete against you, it is some paper that is competing against you at that price.

President.—Even if your paper is not in direct competition with the imported paper, its price is nevertheless determined by the competition of some series of imported paper.

Sir W. Carey.—Yes.

Mr. Kale.—You have made a definite statement on page 227 of the printed evidence and I should like you to reconcile whatever statement you may give us with that statement. What has happened in the meanwhile to make you change these figures? In the last column of the statement on that page you point out what you call savings anticipated on June 1924 and there your total comes down to 3.48. I want to have an explanation as to why you are far out from what you anticipated. What has happened in the meanwhile?

Sir W. Carey.—I shall send it to you.*

(Continued on the 23rd December 1924.)

President.—I think we might begin with the additional statements I understand you are putting in to-day (handed in†). The main difference I notice is as compared with the estimates you gave in July "Power and Fuel" Rs. 50 instead of Rs. 34.

Mr. Benthall.—Yes.

President.—Was that cleared up in one of our previous meetings?

Mr. Benthall.—We discussed that. It is roughly 4½ tons at Rs. 11.

President.—You don't think it is safe to give less than Rs. 50?

*Statement XI, Appendix I.

†Statement XI.

Mr. Benthall.—We believe that with No. 1 Mill running on 3 boilers there will be further economies. That is the margin.

President.—There is a small difference on “general services and miscellaneous.” But I don’t think it is worth while asking you questions about that. The third difference is in “Head office, selling and freight charges”, Rs. 30 instead of Rs. 20.

Mr. Benthall.—You will notice that in column A (1923-24) it was Rs. 33, in B (April to September 1924) it is Rs. 37, if we had full output it would be Rs. 34.

President.—Appendix B is a statement of prices of imported paper?

Mr. Benthall.—Yes.

President.—You first give the c.i.f. prices, then you translate them into rupees according to the various rates of exchange. Then you add the dealers’ charges, which you gave us before at Rs. 38 a ton, and then you add the present duties?

Mr. Benthall.—Yes.

President.—And then you arrive in the last column at the dealers’ cost per lb., and in these figures no allowance is made for profits of any kind?

Mr. Benthall.—That is correct.

President.—May we take Appendix III as representing your claim to additional protection?

Mr. Benthall.—Yes, as qualified by paragraph 8 of the letter we have put in to-day.*

Mr. Ginwala.—Rs. 595 you think ought to be taken as the price of imported paper?

Mr. Benthall.—The difference being the savings due to increased output we anticipate as a result of protection.

President.—May we take it that the price you get for white printing will be approximately the average amount for all kinds of paper? You believe that is substantially correct?

Mr. Benthall.—Yes.

President.—And what you have told us in the letter supersedes our discussion on this point at previous meetings, that this now clearly defines what you are asking the Board to recommend?

Mr. Benthall.—Yes.

President.—I am afraid I was partly responsible for the misunderstanding because my figure of 18 pies was not correct. What I now understand is this, that the reason why you have found it necessary to ask the Board to recommend duties which are likely to increase the price to a rather higher point than you thought necessary in July last is simply because on your costs for these months they turned out to be higher than in July, and you require this higher amount of protection to tide you over the next two or three years.

Mr. Benthall.—The figure of 4 annas 3 pies leaves a small margin, whereas 4 annas left practically none. The difference is also due to fall in the output during the months of July, August and September.

President.—The point would arise that, if you got protection, you might get a higher output?

Mr. Benthall.—That is the whole point.

President.—I think I understand what you are asking for and why you are asking for it.

Sir W. Carey.—That will give us a better market.

Mr. Ginwala.—May I take it then that white printing may be taken as the standard for any measure of protection so far as you are concerned and that we may take this Rs. 595 as the average price?

Mr. Benthall.—Yes.

Mr. Ginwala.—Are we to take the dealers selling price as Rs. 513 at which the foreign paper is likely to be sold—Rs. 513 at 1s. 6d. exchange?

Mr. Benthall.—Yes.

Mr. Ginwala.—That is to say, you claim the difference of Rs. 82. Is that right?

Mr. Benthall.—Yes.

Mr. Ginwala.—That is almost exactly 7 pies per lb.

Mr. Benthall.—Yes.

Mr. Ginwala.—The present duty is $7\frac{1}{2}$ pies, that is the equivalent of Rs. 89-4-0.

Mr. Ginwala.—There is one point I want to clear up. We asked the India Paper Pulp Company the same question on this point also. That is to ascertain what would happen to one of the industries if the other is taken as the basis of affording protection. Supposing we base our recommendation on these figures, we may have to decide what fate would the bamboo pulp industry have and paper made out of bamboo. If, on the other hand, we take the bamboo figures as our basis, we have got to determine what effect it may have on the grass paper industry.

Sir W. Carey.—Yes.

Mr. Ginwala.—The point to consider is this, supposing we treat your industry as an older industry and we treat the bamboo industry as an infant industry, therefore, of course, we must assume that the bamboo has to be encouraged at any rate. That is not the point for us to raise at the present moment. If we treat that as an infant industry it may require more assistance than you do at the beginning. Is not that so, because its cost and overhead charges ought to be higher than if the industry was on a bigger footing so that we might have to give additional assistance to the bamboo pulp? In that case will not there be a quicker substitution of bamboo as a raw material for grass or not? People may say it is more profitable to manufacture bamboo. Besides the estimated costs of production of paper from bamboo are said to be lower than grass.

Mr. Mellor.—The estimated costs are not. The India Paper Pulp Company gave as works cost Rs. 340. Their total cost on a 5,500 ton mill at Naihati is Rs. 494 and Rs. 485 at Jaitpura, whereas our figure is Rs. 496.

Mr. Ginwala.—I wish to point out that these figures are not comparable. You have taken all your overhead figures very much smaller. As it happens you are only able to allow Rs. 25 a ton as depreciation, which is a good deal less than depreciation on the replacement value. If bamboo requires additional assistance, then it may be assumed that bamboo pulp will be produced on a larger scale. Is it not so? It is a natural consequence. If that happens will it not expedite the replacement of grass altogether?

Mr. Mellor.—I should say certainly not.

President.—Supposing the Board came to the conclusion that a certain amount of protection was required by grass and bamboo alike. Let us say we impose the additional $7\frac{1}{2}$ pies that you are asking for on the ground that it is needed by grass and bamboo alike. Suppose also the Board came to the conclusion that additional assistance was required by the bamboo paper industry as an infant industry, in that case the only possible way would be by giving a bounty or subsidy of some kind. What *Mr. Ginwala* is anxious to know is what effect that would be likely to produce on the grass paper industry. Supposing there is a higher duty on all kinds of paper, but in addition there is a bounty on the production of pulp or paper from bamboo, what do you think the effect of that would be on the manufacture of paper from grass?

Sir W. Carey.—Naturally it would look as if you are going to kill the grass industry, and I think, as we have already said, that if time was given

for the grass mills to see how far they can turn over to bamboo, they would certainly take advantage of that time and see what they could do.

President.—The point is this. We are putting the question on the basis that some protection is given to both grass and bamboo alike. That is to say, the grass paper would be able to compete with imported paper. In the first instance, it is not likely that the bamboo paper would be able to cut their prices, because it is not produced in large quantities. Ultimately, if the bounty is given, it would lead to the establishment of the new mills for making paper out of bamboos or to the transfer to bamboo of one or two existing mills. Then of course the time would come when the internal competition would begin to operate and the bamboo people, if they receive a subsidy, might be able to undercut prices. Do you think that that would be likely to happen at once before you had time to change over?

Sir W. Carey.—In two or three years. Within that period they could expand the plant.

Mr. Ginwala.—That expansion of the plant would probably mean another 2,500 tons. That is not anything that is going to upset the whole paper world.

Mr. Mellor.—There is one point that bamboo paper is a weak paper. It can never entirely displace the grass paper. We should have to mix it with either grass or sulphite in order to improve the quality.

Mr. Goss.—It all depends which paper the consumer prefers.

Mr. Ginwala.—It is for you to tell us what is going to happen.

President.—It is not for us to inform you, but for you to inform us.

Sir W. Carey.—There is another point of view, i.e., whether it would be a sound thing to neglect the grass supply existing in the country that can be used.

President.—My reply to that would be, as far as we had evidence, there is plenty of demand for the grass for other purposes besides making paper out of it.

Sir W. Carey.—Not entirely.

President.—There are other people after grass.

Mr. Ginwala.—What does it matter from this particular point of view whether grass is wasted or not. Supposing it is wasted, the point that we are considering is paper manufacture in the country.

President.—If they go on making paper out of grass, then the bamboo is wasted. As regards the utilisation of the natural resources of the country, if you utilise more bamboos and less grass, I don't think the country is any the poorer.

Mr. Ginwala.—If the manufacture of bamboo pulp is to be encouraged in the country—we will assume that it will be encouraged—then in that case it does follow, looking upon it as an infant industry, that it may require a little more assistance than an older industry.

Sir W. Carey.—Yes.

Mr. Ginwala.—Supposing there is a bounty of Rs. X plus a duty of 7½ pies per lb. and when that bounty of Rs. X is given it may lead to the production of bamboo pulp on a larger scale, may it not? Now we want really to know how it would affect the grass paper industry.

Mr. Benthall.—If it is proved cheaper it would reduce the quantity of grass used, but it would not entirely displace grass.

President.—Unless the bounty was very high indeed.

Mr. Ginwala.—I want to know what is your point of view. You have studied the bamboo question yourselves for a number of years.

Sir W. Carey.—Yes.

Mr. Ginwala.—You have also watched the results of the existing bamboo paper industry and what they have been able to accomplish. You also know

what they hope to accomplish, and having regard to all these factors, would you recommend any special assistance being given to bamboo?

Sir W. Carey.—No, certainly not.

Mr. Tarlton.—Why should bamboo receive more support than grass?

Mr. Ginwala.—It would not, unless the Board were satisfied that that was the way in which the best kind of paper was likely to be produced most cheaply in the country. We would not recommend it unless we thought so. It would be justifiable if we thought so, because it would expedite the shift over, so to speak.

Mr. Benthall.—It would be correct to say in our case we should use both bamboo and grass. We have a bamboo plant.

President.—Supposing eventually bamboo is going to a large extent to supplant grass—and if the Board made recommendations such as Mr. Ginwala suggested, it would mean that we thought the prospect was reasonably assured—it might be worth while to expedite the process. That is what it comes to. Mr. Ginwala wants to know what your opinion is. Do you think that the bamboo is eventually going to do better than grass? Do you think that the Board ought to try to expedite the development?

Sir W. Carey.—Is it proposed to put on a bounty now or later on? What we are looking at is that the present added tariff which we are asking for would give us an opportunity of getting some money together and reorganising our finances—I mean all the grass mills—which they all stand in need of at the present time. It seems to me to be the question as to what the proposal would be—as to whether a bounty would be put on now or after a short period.

Mr. Ginwala.—If it is found that this additional protection you are claiming was inadequate for bamboo paper, then how are they to continue until you are ready?

Sir W. Carey.—Then the proposition would be to give a bounty now to the bamboo mills in order to help us or force us to speed up getting over to bamboo. For what length of time would the bounty be given?

President.—What do you mean by what length of time?

Sir W. Carey.—Would not the bounty be continued after the bamboo mills had made the expansion?

President.—It is quite impossible to say definitely how long it would be, but I take it that the whole of the thing would be to see whether, on the larger scale of production, these reduced costs of the India Paper Pulp Company can be realised. If they can, the necessity for a bounty would practically disappear.

Sir W. Carey.—Yes.

President.—If their costs were substantially higher than they anticipated, it might disprove the whole theory on which the bounty was based.

Sir W. Carey.—It would improve the position of the grass as compared with bamboo.

President.—It would go to show that the bamboo was not the better or cheaper material anyhow. That I think is all one could say about it.

Mr. Ginwala.—The general principles may be thus stated, whether it is a case of bounty or duty. Once the country decides to protect the industry either way, the protection must continue for a reasonable period or until such time as the industry is able to stand on its own legs. Beyond that nobody can go. It may be 5 years or it may be 10 or 15 years, but it must be a reasonable period and it must continue so long as it is necessary within that period.

Mr. Tarlton.—Your point is that, if they were given support at the present time they would increase their output, and they would be able to bring their prices much below the price of paper manufactured out of grass.

Sir W. Carey.—At any rate to the extent of the bounty.

Mr. Tarlton.—If confidence lies in the manufacturing of paper from bamboo pulp, why should any bounty be given for the working up of the bamboo industry as against the grass industry?

Mr. Ginwala.—It is not a question of going against the grass industry, if it was treated as an infant industry that was beginning against another industry which had its innings over 30 or 40 years. It is a handicap.

Mr. Tarlton.—Not unless it was definitely proved that bamboo pulp would give a cheaper paper finally than grass.

Mr. Ginwala.—Not definitely proved, but if there are reasonable grounds for believing, you might put it that way.

Mr. Benthall.—Why should the cost of bamboo be higher than the cost of grass now?

Mr. Ginwala.—Because they are in the initial stage.

Mr. Benthall.—They have a more modern plant than we have.

Mr. Ginwala.—Their overhead charges are necessarily higher.

Mr. Benthall.—Yes—but their working charges must be lower.

Mr. Ginwala.—Making allowance for everything, as the production is so small, the total, 'all in' cost is likely to be higher.

Mr. Tarlton.—Therefore does it not follow their overhead charges would come down and reduce the cost of manufacture if they expand?

Mr. Ginwala.—We anticipate that. That is how the position of the grass paper may be quickly jeopardised.

Sir W. Carey.—That is what you are aiming at.

Mr. Ginwala.—That is the point involved. We are not aiming at anything.

Mr. Benthall.—If the tariff on all papers is sufficiently large to ensure our selling all papers at prices suggested, that would not have any effect.

Mr. Ginwala.—You are assuming that that tariff is sufficient.

Mr. Benthall.—Yes.

Mr. Ginwala.—You are also assuming that it might be sufficient for bamboo paper at the same time.

Sir W. Carey.—For some time.

Mr. Ginwala.—Therefore we are assuming that additional assistance may be necessary.

Mr. Benthall.—We believe that bamboo paper is made of about 40 per cent. of imported pulp.

President.—Certainly it was not that in 1923-24.

Mr. Benthall.—At any rate they require imported pulp to make their paper strong.

President.—We put that to them and they said no.

Sir W. Carey.—They say in paragraph 8 of their letter dated 15th October 1924 under the heading 'primary raw materials' they require Rs. 100 worth of bamboo and Rs. 40 worth of imported pulp.

President.—If you are going to compare in that way you must compare the cost of the imported pulp used with the cost of the pulp they made out of bamboo.

Mr. Benthall.—We also experimented on bamboo. It is our opinion that it does not give a satisfactory paper by itself. Pure bamboo has not got sufficient strength, but mixed with grass or sulphite it gives a fairly good paper.

President.—I am glad to hear what you have to say about that. What we are anxious to get from you just now is, assuming that the Board think that the bamboo is a satisfactory material and that it is likely to prove in the long run an economical material..... If we thought that grass is a

better material and that bamboo is not so good, how can we make any special proposal to benefit bamboo. I don't see how we could justify such a proposal.

Sir W. Carey.—We also believe that bamboo is a very good material and we also feel that it could be mixed with either grass or sulphite.

Mr. Ginwala.—We are now considering what effect it is going to have on you.

Sir W. Carey.—It would jeopardise the grass mills very seriously, even with the additional protection which we are now asking for.

Mr. Ginwala.—What do you suggest? Can we for that reason throw overboard bamboo if we are satisfied that it has got a reasonable chance of turning out a good raw material?

Mr. Tarlton.—Would it be thrown overboard with the additional tariff?

Mr. Ginwala.—Assuming that we are satisfied that the additional tariff that you are asking for is not adequate protection to the bamboo industry, then I am asking you what is the alternative? Do you expect the Board to throw overboard the bamboo altogether in order to save grass?

President.—There is this to be said that no great expansion of the industry is possible on the basis of grass, but on the basis of bamboo it may be possible.

Mr. Benthall.—We agree to that.

Mr. Ginwala.—In that case, is it not worth while preserving the bamboo industry and encouraging it?

Sir W. Carey.—By all means, we are agreeable to that.

Mr. Ginwala.—In what way do you suggest that we should encourage it?

Sir W. Carey.—I can only say this—that if such a proposition is to be made, time should be given first to the grass mills to get the additional benefit of the tariff which we are now asking for, so that they may have an opportunity of getting into a stronger position to have the means to turn over to bamboo, which is a costly business. You have already said that bamboo mills cannot wait till then. We also put it the other way. The other danger is that you are going to kill the grass mills in the meantime.

Mr. Ginwala.—Why should they be killed, assuming that the protection that you are asking for, if it is adequate, is given?

Sir W. Carey.—The other question is how long do you think the bamboo mills will need this bounty in order to get the additional expansion which they are aiming at.

Mr. Ginwala.—We are not thinking only of this particular company. I have already stated to you the general principle by which any scheme of protection is to be guided. There is no time limit. It must be within reasonable time that the industry must be able to stand on its own legs. Within that period assistance must continue if the country is at all serious in its idea of encouraging the manufacture of bamboo paper in this country. I will put it to you again. Assuming that you get the duty that is asked for, and also assuming that the bamboo pulp gets the additional assistance, will you then be in a position to turn over to bamboo?

Mr. Benthall.—It would take us at least two years.

Mr. Ginwala.—They must also take some time to increase their production from 2,500 tons to 5,500 tons, so that the risk there is not as great as you think if you are able to turn over to bamboo within two years. You have got to make up your mind sometime or other as to what you are going to do. You have given us the figure that you think ought to give you a reasonable return. Supposing that that is the measure of protection, if any is recommended by us, then you ought to be in a position to say "within two years we shall be or shall not be in a position to turn over to bamboo."

Sir W. Carey.—We have to create sufficient confidence. At present nobody has any confidence in investing money in the paper trade. With this protection you would have to give grass mills sufficient time to show the results

which would create confidence in the minds of people and induce them to come forward and give the extra capital required for the turning over.

Mr. Ginwala.—The same argument may apply to bamboo.

Sir W. Carey.—We come back to the same point.

Mr. Ginwala.—Therefore the conditions must be assumed to be the same as regards both aspects.

Sir W. Carey.—There is another consideration, that is, there is a section of the market which prefers grass paper.

Mr. Ginwala.—To that extent you are safe.

Sir W. Carey.—There is this to be said. Supposing all the Indian mills—I mean those of the grass mills who have been able to turn over—are working bamboo and the others shut down, then the market which requires grass paper may not be inclined to take up bamboo paper. They may be inclined to use a class of the imported paper in spite of the duty. It is a circumstance which we have to consider.

Mr. Ginwala.—I don't think that we can get any further than that. I will put to you a different point of view. Instead of a bounty, supposing the level of general duty is raised to an extent at which the bamboo industry can compete, will that not have the same effect on the paper industry in the end? That is to say, there will be a gradual turning over or a larger production of bamboo paper? Don't you think so?

President.—Say 10 pies instead of 7 pies?

Sir W. Carey.—I think it would be very probable.

Mr. Ginwala.—In that case the grass paper industry may be at an advantage compared with the bamboo paper industry.

Sir W. Carey.—It would certainly make it possible for the grass mills to turn over.

Mr. Ginwala.—On the other hand it may lead to the erection of more grass mills?

Sir W. Carey.—That would be limited.

President.—The two materials would have to fight it out amongst themselves on their own merits. In that case the Board would be saved the trouble of deciding which is better.

Sir W. Carey.—So far as we are concerned, what would happen is that the bamboo plant which we have got would be erected as soon as we had the funds, and we should be manufacturing paper both from grass and bamboo.

President.—You are more favourably situated in that respect.

Mr. Ginwala.—That does not seem to me to be feasible. If the duty was 10 pies, it would give just enough protection to the bamboo industry but it would be 3 pies too much on the present figures to the grass industry. You can always bring your selling price down by 3 pies. Can bamboo under those conditions reasonably compete against you?

Mr. Benthall.—Yes, because the margin of market is sufficiently large.

Mr. Ginwala.—It will not lead to the expansion of the industry. How will the industry be encouraged under those conditions when you are able to undersell bamboo at all points at the beginning?

Mr. Benthall.—It is only for a short period. According to their own figures they are going to come down as low as ourselves.

President.—Provided they can raise the capital to enlarge.

Mr. Benthall.—The same applies to us. We want a period of prosperity too.

President.—There is another point which has to be considered in connection with this proposal, and that is, what is the consumer going to say to this?

Mr. Benthall.—On equal prices the consumer prefers our paper.

Mr. Ginwala.—The figures given to us seem to prove the contrary, viz., that the bamboo paper is able to get a better price.

Sir W. Carey.—You gave us their price of Rs. 565 as against our Rs. 515. We have gone very closely and carefully into that. Our net price for the first five calendar months was Rs. 556.

Mr. Ginwala.—I gave you your own figures, I did not invent them. Did you get the same price?

Sir W. Carey.—Yes.

Mr. Benthall.—The two papers are used for different purposes.

Sir W. Carey.—If you put on the additional tariff that is asked for, their paper will find a certain market which will not compete with us, and therefore we should be given an opportunity of larger choice of papers ourselves which are at present supplied from foreign sources.

Mr. Ginwala.—I am afraid we must leave it at that.

Mr. Benthall.—There is no question of putting a tariff on imported pulp for two years because we are bound to use 5 or 10 per cent. of wood pulp, also and it will take us two years to get down to that.

Sir W. Carey.—That was our reply in Simla.

Mr. Ginwala.—Can you eliminate altogether the sulphite wood pulp by using bamboo pulp?

Sir W. Carey.—Not absolutely. Certain qualities of paper require it. I don't think that bamboo pulp would act in the same way as imported pulp.

Mr. Ginwala.—You would not require imported pulp in any large quantity?

Sir W. Carey.—It could be reduced from what we are doing now.

Mr. Ginwala.—How many tons do you use per year?

Sir W. Carey.—To-day it is about 6,000 tons.

Mr. Ginwala.—How much can you dispense with out of 6,000 tons?

President.—Assuming that you can purchase bamboo pulp at the same price?

Sir W. Carey.—Say about half.

Mr. Ginwala.—That is 3,000 tons?

Sir W. Carey.—Yes, for making certain grades.

Mr. Ginwala.—Supposing the total quantity of imported pulp is 10,000 tons, what field is there for the production of bamboo pulp, assuming that the grass mills use bamboo pulp in place of wood pulp? It comes down to 5,000 tons.

Sir W. Carey.—Our own proposal of some years ago was to erect a 10,000 ton mill. It was what the India Paper Pulp Company also consider, I see, as the best economic unit. That was what we were advised. Our idea was to consume the whole of that.

Mr. Ginwala.—And also use the same quantities of grass as you are using now?

Sir W. Carey.—No. The balance would have been grass.

Mr. Ginwala.—Of that you will only be able to use 3,000 tons in place of the sulphite pulp and the rest in place of grass. That is what it comes to.

Sir W. Carey.—Yes, or other materials such as rags and waste paper.

Mr. Ginwala.—The full market that there is for bamboo pulp, assuming that it is used only by the grass mills, is about 5,000 tons.

Sir W. Carey.—Yes, unless export becomes possible.

Mr. Ginwala.—I am speaking of the home consumption.

Sir W. Carey.—We should probably come to a point when we might use less grass.

Mr. Ginwala.—There is only room for about 5,000 tons of bamboo pulp in the country.

Sir W. Carey.—As regards the present mills.

President.—If you are going to use about 3,000 tons of wood pulp in a year, I find it a little difficult to understand how you acquiesced in the proposal for putting a duty on imported pulp.

Sir W. Carey.—We should have to use bamboo for that.

Mr. Tarlton.—We can use more grass, and our intention is to use more grass.

President.—The point is this. You acquiesced in the proposal to put a protective duty on imported pulp. Then I understood that bamboo pulp would replace all the wood pulp you used, the condition you made being that you should be given time to change over to equip yourselves to manufacture bamboo pulp. If you are still going to use 3,000 tons of wood pulp, you are handicapping yourself to that extent.

Sir W. Carey.—We don't think so.

President.—You just now told Mr. Ginwala that even when you used bamboo pulp you would require 3,000 tons of imported pulp.

Sir W. Carey.—On our present working.

President.—That was not what Mr. Ginwala put to you. He put to you supposing bamboo pulp could be obtained in this country at the same price as the imported pulp, how much wood pulp would you still require. *Sir W. Carey* said that for the production of certain kinds of paper some sulphite wood pulp would still be necessary. *Mr. Ginwala* asked how much, and *Sir W. Carey* said 3,000 tons. If that figure is not correct, will you please tell us now the correct figure? I am afraid there was an ambiguity.

Sir W. Carey.—At the time when we agreed (i.e., in July) to the imposition of a duty on pulp after a certain period, viz., two years, the expert view was that we could use entirely bamboo pulp in place of imported pulp; and that if bamboo pulp was produced in the country we also could do it. We should then use it in place of the 3,000 tons that we just spoke of to you. It is a matter of technical working. At the present moment we are not quite satisfied.

President.—Are you prepared to give the indispensable minimum quantity of wood pulp that you would require?

Sir W. Carey.—It is a technical point of paper-making. The question is whether with that class of paper we can satisfy the market, Government and other buyers. I am simply speaking to-day in the light of the experiments that we have made during the last six months. We are not quite satisfied that the bamboo pulp would entirely replace imported pulp.

President.—In that case, would it not be better to wait and see?

Sir W. Carey.—I am speaking in the light of the information which has been given to us comparatively recently. We said at first that we did not want to consider the imposition of a duty on imported pulp for two years. Practice is improving every day undoubtedly, both in the pulp mills and also in our own mills in the method of mixing.

Mr. Benthall.—The expert view is that bamboo has at present a weak fibre. In our own mills to give strength we should have to use grass.

President.—They don't admit that bamboo paper is weaker than a paper made from a mixture of bamboo and wood pulp.

Sir W. Carey.—Our own paper makers say that it is possible to make a mixture of bamboo and grass which would match wood pulp and grass. But at present we have not been able to do it.

Mr. Ginwala.—What would happen to the industry if this additional protection of 7 pies per lb. is not given.

Mr. Tarlton.—We would have to close our doors.

Mr. Ginwala.—What allowance have you made for depreciation?

Sir W. Carey.—Rs. 3 lakhs.

Mr. Ginwala.—I take it that you have taken the rate which the Income-tax Collector allows you?

Sir W. Carey.—Yes.

Mr. Ginwala.—It is not according to our calculation, which is 6½ per cent. Therefore you have not taken it at all on the replacement value of the block.

Sir W. Carey.—No.

Mr. Ginwala.—I take it that your explanation is that, if your plant is not up-to-date, you save in the amount of depreciation, although your works cost may go up. Is that the explanation?

Sir W. Carey.—We have heavily depreciated it already.

Mr. Ginwala.—Unless you have got a reserve fund, you cannot replace it?

Sir W. Carey.—That is true.

Mr. Ginwala.—But the point is this that in the price that you are quoting there is no allowance made whatsoever for replacement. It may be that you may be able to compete against an up-to-date plant until your plant is worn out.

Mr. Benthall.—There is three lakhs depreciation which we have laid aside. There is also current repairs and renewals, which practically keep the mills up-to-date as far as possible.

Mr. Ginwala.—So that you are satisfied that if you spend Rs. 3 lakhs a year, you would more or less keep your plant up-to-date?

Mr. Benthall.—Apart from that, there is current repairs and renewals. Our machines are just as good as they were 10 years ago.

Mr. Ginwala.—Is it not necessary for you to make any allowance whatsoever for the total replacement of the plant at all?

Mr. Benthall.—There is three lakhs, apart from the reserve that we may set aside in future years.

Mr. Tarlton.—We keep our mill in first class running condition.

Sir W. Carey.—The estimated figure for repairs and replacements in each mill is one lakh a year.

Mr. Kale.—It was suggested to you that it might be necessary to give a bounty to the bamboo industry over and above the protection that would be given to the industry as a whole, and you said that this was likely to be detrimental to the grass mills. What I want to ask you is this. This protection which is proposed for the whole of the paper industry, and the additional protection suggested for the bamboo industry, turns on the assumption that the amount of protection is to be equivalent to the difference between the costs of the two industries and the selling price. If that is so, then I cannot understand how you are likely to be affected because the bamboo industry will get what is absolutely necessary for that industry to be carried on. It will not be able to get anything more than the grass mills will receive. In that case they will not be able to cut down their prices. How will their competition affect you then?

Sir W. Carey.—If the protection given us is adequate, we have no objection to the bamboo industry being supported further.

Mr. Kale.—But the grass mills cannot complain merely on the ground that the bamboo industry gets additional protection, because the additional protection is expected only to equalise the prices.

Sir W. Carey.—If it is proved a little later that the bamboo mills are placed at a very distinct advantage in selling costs as compared with the grass mills, will the thing be reconsidered?

Mr. Kale.—In fact it will have to be temporary, that goes without saying.

Mr. Benthall.—We ourselves have the bamboo plant, which we may put into operation, and we do not want to see our competitor getting the

advantage of the bounty. We want the bounty to be taken off, say, within two years.

Mr. Ginwala.—Would that be an additional inducement to you to start the bamboo mill?

Mr. Benthall.—If we can show prosperity in the paper mill and get public confidence to get the additional capital required, we would not hesitate a minute.

Mr. Kale.—Then there is another point. In order that you may be able to reduce your cost it is necessary that you should be able to have your full production. The full production of the three Bengal Mills, taken together, will amount to about 32,000 tons, and, assuming that the production of the bamboo mills in two years as a result of production will come to 5,500 tons, and if the production of the two remaining mills in Lucknow and the Punjab is added, the total production comes to about 37,000 tons. Do you think there is a sufficient market for this large production?

Sir W. Carey.—The total consumption of paper in India is 1,05,000 tons, that is our estimate. Paper not manufactured in India is approximately

18,000 tons newsprint.

20,000 tons old newspapers.

10,000 tons mill boards.

4,000 tons packing papers.

52,000 tons.

That leaves a balance of 53,000 tons, based on April to September imports, which the Indian mills may reasonably be expected to supply. We have taken the Indian paper mills paper production as 37,000 tons, that leaves 16,000 tons for the Indian mills to capture.

Mr. Kale.—This turns upon whether the calculations can be true, because the rise in imports may be due to certain adventitious circumstances, and after all, the figures may prove to be a bit on the high side.

Sir W. Carey.—At the same time we may reckon that with the extension of Railways and trade generally, education and so forth would increase and the consumption of paper would also increase steadily to the same extent.

Mr. Kale.—I quite understand that, but on the other side there is the higher price as a result of protection which will off-set the increase in consumption.

Sir W. Carey.—But if protection is adequate it will give a check to imports.

Mr. Kale.—I have not taken into account the probability of the two or three mills which are being projected but not yet started, and protection may induce people to expedite their mills, and the production of these three mills may make an addition of another 8 to 10,000 tons.

Sir W. Carey.—Quite so. We have got to face that. As long as we can sell the production of our mills.....

Mr. Kale.—But that will become problematical. The point is whether you will be able to sell the whole of your output on account of the competition of the new mills.

Sir W. Carey.—If there are three mills with a total production of 10,000 tons it still leaves a small margin on these figures not allowing for replacement of some of the imports, and I think it is a fair assumption that there is room for expansion with adequate protection. We look also, with regard to our own mills, to filling up the total tonnage not only by bigger sales but by making better qualities and grades.

Mr. Kale.—So as to be able to replace some of the imported paper?

Sir W. Carey.—Yes. We hope to have a larger selection of the market because at present in running the mills if we have to stop so often that we are bound to lose in output. If we get larger orders and longer runs in the

classes of paper we require, our output will naturally increase. That is one of the points which we lay great stress upon.

President.—In calculating the total market available for the Indian manufacturer did you omit packing paper?

Mr. Mellor.—Yes.

President.—That is what you cannot make?

Mr. Mellor.—Yes—at the price.

President.—If so, does not that raise a question whether it is proper to impose a protective duty on that class of paper?

Mr. Mellor.—It is a paper we don't make at present. The new mills opened may easily make these qualities. They might conceivably specialise in those qualities.

President.—But I doubt if paper as good as kraft can be made in this country. I don't think the material is available in this country for its manufacture.

Mr. Goss.—It has been chiefly a question of price. Now a packing paper . . .

President.—What material is your brown paper made of?

Mr. Goss.—It may be grass and rags, or grass and hemp, ropes or jute.

President.—These are rather miscellaneous materials. My point is that you cannot really compete with kraft.

Mr. Benthall.—We do make kraft.

President.—But you admitted that it is not as good as the imported 'kraft'.

Mr. Goss.—But it serves the same purpose, only we cannot give the same appearance to the paper.

Sir W. Carey.—There is just the possibility that in the new mills with suitable machines they will be able to make kraft which will compete with the foreign paper.

President.—Well, I will leave it at that.

Mr. Ginwala.—In this 1,05,000 tons did you include the production of the mills also?

Mr. Mellor.—That is the total consumption of paper, including the Indian mills' production. We took the Indian mills' present production at 37,000 tons and about 68,000 tons imported.

President.—It has been suggested that you cannot expect to displace the whole of the imports after deducting the old newspapers and the newsprint, because the balance includes a very appreciable quantity of special kinds of paper which are not worth your while to make.

Sir W. Carey.—We took newsprint as 18,000 tons, old newspapers as 20,000, then we took mill boards, art paper and other different kinds of paper as 10,000 tons, and 4,000 tons of packing paper. We exempted altogether 52,000 tons, and that is a very generous estimate in our opinion.

Mr. Ginwala.—It does not leave a very big margin.

Sir W. Carey.—In our opinion it is a generous estimate. We hope that expansion will increase our market.

Mr. Benthall.—As a matter of fact we say that if kraft is exempted it would interfere with our wrapping sales.

President.—Of course it would. What I was suggesting was that if you admit that you cannot make paper as good as kraft, where is the justification for protecting your wrapping paper?

Sir W. Carey.—Except that, as I said, new mills with new machines might very easily do it.

President.—I should now like to go on to the questions I put in the note I sent. The first point is this. In the answer to question 19 the rent and salami of the Western Circle is said to be Rs. 1,77,500. In the answer to

question 20 certain figures are given for output and for the incidence of the royalty per ton. On the basis of these latter figures the total amount of *salami* comes to Rs. 1,57,478. Can you tell us why it differs from the previous figure of Rs. 1,77,500?

Sir W. Carey.—The total royalty and *salami* for the Western Circle was given as Rs. 1,77,500—Royalty Rs. 77,500, *Salami* Rs. 1,00,000—for preliminary expenses we have written off Rs. 25,000. That brings the total up to Rs. 2,02,500, less premium received from the other mills annually Rs. 45,000, which reduces the total to Rs. 1,57,500.

President.—You have got to add to the rent and *salami* and the preliminary expenses you are writing off, and you then deduct the rent you receive for the areas you have leased to other mills. How long will it take to free you from the preliminary expenses. Is that permanent?

Sir W. Carey.—In five or six years.

President.—Then in your supplementary statement No. 1 (Statement VII, Enclosure No. VII) headed "Grass costs, each area," working on the figures in that statement, it comes to Rs. 92,000 instead of Rs. 1,77,500.

Sir W. Carey.—In this supplementary statement the actual cost and the estimated cost were based on 1923-24 working and the actual sub-leasing in the Western Circle, Rs. 66,000, were taken into account, thus giving a royalty of Rs. 47-7-0 per ton on the actual outturn of 52,500 tons. In making estimates we cannot always rely on sub-leasing at similar figures.

President.—But I think this particular figure was on your actual working for the year?

Sir W. Carey.—Actual for 1923-24.

President.—The total royalty paid comes to Rs. 92,000, which is a good deal less than what you must have actually paid. Is your explanation similar to the previous case that you are able to sub-lease or sub-let a considerable portion of it?

Sir W. Carey.—Yes. The actual result of sub-leasing, Rs. 66,000, was taken into account.

President.—Look at enclosure No. 5. Are the figures that you have given in this supplementary statement* (5) actuals for the year 1923-24?

Sir W. Carey.—Yes.

President.—I think in enclosure No. VII there is a figure that requires correction. Look at what is printed at the bottom of it. Under the heading 'Ramji Dass' there is an entry Rs. 1-7-6 a maund, but it is not clear to what period it refers.

Sir W. Carey.—That figure was given in error. For the season 1923-24 it ought to be Rs. 2-1-0.

President.—Would it not be better if you sent in a correction slip?

Sir W. Carey.—We will correct the whole form.†

President.—From what areas did Ramjidadass contract for grass?

Sir W. Carey.—Sahebgunge and the Eastern Circle.

President.—Then the next point is that it appears from enclosure 7 that with a full output the miscellaneous charges in the Western Circle are expected to fall from Rs. 25-15-7 to Rs. 3-6-6 a maund, but no corresponding reduction is expected in the Nepal Circle. Can you tell us the reason?

Sir W. Carey.—In the Nepal Circle no reduction can be expected because the contract is on a flat rate of Rs. 1-4-0 f. o. r., irrespective of the output.

President.—That is to say, you do not incur any miscellaneous charges directly there?

Sir W. Carey.—No.

President.—Can you give us the average cost per maund of grass delivered at the mills in 1923-24?

*Statement VII.

†Statement XIII.

Mr. Mellor.—Rs. 2-9-7.

President.—What do you expect will be the average cost during the current year?

Mr. Mellor.—That depends on the quantity, but we can state it, from different areas, as not exceeding Rs. 2-2-0.

President.—This figure of Rs. 2-9-7 for 1923-24, do you regard that as a high figure?

Sir W. Carey.—Very.

President.—In the current year you are confident that there will be a very substantial reduction?

Mr. Benthall.—Yes. Next year we anticipate a large reduction if we get the full tonnage of paper in the mills. Then we will have to take more grass and it must further reduce our costs.

President.—Can you tell us what quantity of grass you expect to get from each circle during the current year?

Mr. Benthall.—Western Circle—2 to 2½ lakhs maunds.

Sahebgunge and Eastern Circle—3 lakhs maunds.

Nepal not yet settled.

President.—Can you give us what you anticipate the average cost per maund delivered at the mills?

Mr. Benthall.—Sahebgunge and Eastern Circle Rs. 1-11-3.

Western Circle Rs. 2-0-0.

President.—In this enclosure No. 7 you have given certain freight charges. Are these the rates recently sanctioned?

Sir W. Carey.—The lower rates are those recently sanctioned.

President.—In Forms I and IV of your original evidence does the figure given as the cost of primary raw materials represent the cost of materials actually used in the manufacture of paper during the year?

Mr. Wood.—Yes, they are actual consumption figures.

President.—In Form I you show the total expenditure of purchased pulp as Rs. 15,91,766. Can you tell us what quantity of pulp is represented by this sum?

Sir W. Carey.—5,964 tons of various qualities of pulp.

President.—Turning now to the auxiliary materials, if the cost of the principal auxiliary materials is worked out on the basis of figures given at pages 198 and 199 of the evidence, the total falls a good deal short of the corresponding figure in Form IV. Can you explain that?

Mr. Wood.—It is due to fluctuations in price.

President.—What you gave us on pages 198 and 199 of the evidence were the most recent prices actually paid?

Mr. Wood.—Yes.

President.—Does the figure in Form IV include the cost of manufacturing bleach and caustic?

Mr. Wood.—It does.

President.—That is to say, labour and so on has gone into the cost of the auxiliary materials?

Mr. Wood.—No. Included in labour, etc.

President.—In these statements, all headed Form V, you give the cost of 'recovered soda,' 'causticising caustic' and 'E. B. caustic and bleach.' The first two, I understand, have nothing whatever to do with the electrolytic plant?

Mr. Wood.—Nothing whatever.

President.—That is the soda you recover and in the same manner as the other mills do you convert it back into caustic soda?

Mr. Wood.—Yes.

President.—In the third statement what do the letters E. B. stand for?

Mr. Wood.—Electrolytic bleach.

President.—The main product is the bleach, and the caustic soda is a by-product?

Mr. Wood.—Yes.

President.—Is it because you have introduced this electrolytic plant that you no longer need to recover such a high percentage of soda?

Mr. Wood.—We still recover from the recovery plant. It is up to us to recover as much as possible.

President.—I asked these questions about this because we found when we were going through the evidence that none of us clearly understood what these tables represented.

This statement (VIII) shows that 1,844 tons of bleach were used in the production of 15,000 tons of paper, *i.e.*, about 12 per cent. Is that a normal percentage, having regard to the proportions of various kinds which you usually produce?

Sir W. Carey.—12 to 15 per cent. is, we consider, a fair average for pulp. News and printing are bleached and “badamis” are also partly bleached.

President.—Your browns are not bleached?

Sir W. Carey.—No.

President.—In your statement of the cost of electrolytic bleach and caustic you have given the cost of the bleach at the mills as Rs. 185 per ton, whereas the figures given by the Bengal Mills and the India Paper Pulp Company are Rs. 233 and Rs. 239. Is that figure of Rs. 185 correct?

Sir W. Carey.—No. We took f.o.b. price only. It is quite possible the other mills have given the average cost over a period.

Mr. Mellor.—Their figures may be taken as approximately correct?

Mr. Benthall.—Our last importation cost was Rs. 225.

President.—That is not far off. The difference in exchange would account for a certain difference.

Mr. Mellor.—Yes.

President.—Comparing the figures in Form V with the figures in your supplementary statement VIII, there are differences in the cost of caustic and bleach. In Form V the cost of caustic is Rs. 116 and in the supplementary statement it is Rs. 163. For bleach in Form V the figure is Rs. 123 and in the supplementary statement it is Rs. 181. Will you tell us the reason of that difference?

Mr. Wood.—The difference is due to allowance for depreciation and return on capital, etc.

President.—In the supplementary statement you have given us a figure which includes an allocation for the overhead charges and also for return on the capital invested on the electrolytic plant?

Mr. Wood.—Yes.

President.—Whereas in Form V it is simply Department cost of production?

Mr. Wood.—Quite so.

President.—Coming now to power and fuel, according to Form IV the cost of power and fuel would be Rs. 76 in 1923-24. The answers to questions 56 and 57 give the quantity of coal required as 5·6 tons per ton of paper, and the cost of coal delivered at the mill as Rs. 10-14-0 a ton. If Rs. 12 is taken as the average, the cost per ton of paper should be Rs. 67. Was the excess over this figure in 1923-24 due to any of the following causes:—

(a) A higher coal consumption, or

(b) the use of coal purchased earlier at higher prices, or

(c) the inclusion under this head of expenditure other than the cost of, and freight on, coal.

Mr. Wood.—Due to the second.

President.—Entirely to the second?

Mr. Wood.—Yes.

President.—In your original evidence you gave us the cost of coal you purchased f.o.r. colliery as Rs. 6 to Rs. 10. Since then the price has fallen. What would the price be now?

Mr. Wood.—Rs. 10 to Rs. 10-8-0 a ton at the mills.

President.—You gave us Rs. 6 to Rs. 10 a ton at the colliery.

Mr. Wood.—It would be Rs. 6-4-0 now.

President.—What I am after is the range of prices. You gave it to us as Rs. 6 to Rs. 10. Owing to the fall that has taken place since then, what would be the corresponding figures just now approximately?

Sir W. Carey.—Rs. 6-4-0.

President.—What I want to get is something to compare with the range of price you formerly gave.

Mr. Penthall.—Rs. 4-8-0 to Rs. 8-0-0.

President.—That is quite near enough for my purposes. When we visited the mills you drew our attention to the new boilers you had put in with the object of improving the steam efficiency of your plant. Were there any special reasons tending to make the cost of repairs and maintenance high in 1923-24?

Sir W. Carey.—The completion of certain renovations makes the figure high and it also includes stores, etc.

President.—All I want to know is whether you regard that figure as fairly normal for 1923-24, or is there any special reason for its being high?

Sir W. Carey.—The renovations put that figure up.

President.—I understand that Forms II and III, as they were originally prepared and printed in the evidence, were not precisely on the same basis as Form I and Form IV (a)?

Mr. Wood.—Yes.

President.—That is to say, you have shown the costs according to the manner in which you keep them for your own purposes and not according to the details worked out on the lines laid down by the Board?

Mr. Wood.—Yes.

President.—What you have given now is on the basis laid down by the Board?

Mr. Wood.—Yes.

President.—Supplementary statement V shows the estimate of the cost of manufacturing pulp from grass at a mill in the neighbourhood of Saharanpur. The first point I would like to ask about that statement is this. The cost of grass per ton of pulp is given as Rs. 63-4-0. I would like to know in what way you have reached that figure, because, if it is compared with the estimate you have given in Enclosure No. VII, it seems to be an exceptionally low figure. In enclosure No. VII you have given for the Western Circle a figure of Rs. 55 a ton on an output of 4,00,000 maunds. If you deduct the railway freight it comes to Rs. 42. Therefore, with a smaller outturn the cost of a mill at Saharanpur, assuming that there is no railway freight to pay, would be something over Rs. 100 per ton of pulp. Could you tell us how you got it down to Rs. 63-4-0?

Sir W. Carey.—When the scheme was drawn up we took the estimate of the man who had prepared it, and the grass was taken to be As. 15 a maund.

President.—How can you get it down to Rs. 63-4-0?

Sir W. Carey.—Taking it on the assumption as it then was, we should do away with a considerable amount of baling and carting and, with our increased output, it would bring the price down.

President.—How much grass is going from this area into the mill?

Sir W. Carey.—It is based on a 10,000 ton mill.

President.—Would you kindly tell me the quantity of grass?

Mr. Wood.—24,000 tons.

President.—Can you give me this in maunds?

Mr. Wood.—6½ lakhs.

President.—You think there is sufficient grass in your Western Circle to give you 6½ lakhs?

Sir W. Carey.—Yes.

President.—Are you satisfied that you can get that quantity?

Sir W. Carey.—There would be a gradual increase in price as we went farther away.

President.—Then the cost would go up. How do you justify a big reduction?

Sir W. Carey.—This is based on what is a purely preliminary examination. It was originally intended for our own guidance.

President.—Would it be more expensive to bring your grass to your mill at Saharanpur or to bring it to the most conveniently situated railway station for transport to your present mill? Is there any additional expenditure?

Sir W. Carey.—It would save a good deal of baling if the mill were centrally situated.

President.—Apart from baling, is it more expensive to bring it to your mill than it is to bring it to a railway station?

Sir W. Carey.—It would naturally be less expensive.

President.—What difference do you think that it would amount to?

Sir W. Carey.—It is very difficult to say unless you get to actual working.

President.—What I am looking at is this. It costs you about Rs. 26 a ton, delivery at Saharanpur. If I make an addition of Rs. 4 or Rs. 5 as the cost of baling, would that be adequate?

Sir W. Carey.—Rs. 5 would be adequate.

President.—That means you can deliver this grass at conveniently situated railway stations for about Rs. 31 a ton?

Sir W. Carey.—There is one other point. Have you eliminated the establishment at various railway stations which have to be kept up for sorting, booking, etc.?

President.—That is precisely why I put that question to what extent it is more expensive to collect this and deliver at a railway station rather than at a mill at Saharanpur. On the other hand, you have got to take into account the fact that on the grass which goes to Saharanpur there will be a certain amount of freight.

Sir W. Carey.—This estimated cost is a very preliminary *kutch* cost and it is not likely that the cost of the grass will be much more than that.

President.—Is it necessary for the Board to pay any attention to it? If the opinion it conveys is not trustworthy, is it not better that we should ignore it?

Sir W. Carey.—The estimate was made by a man in consultation with Mr. Raitt.

President.—If you consider that this affords good evidence of the future prospects of the manufacture of grass not in the neighbourhood of Calcutta or the coalfields, but in the neighbourhood of raw material, then it is necessary that I should be assured of the ground on which I stand.

Sir W. Carey.—We ourselves would not go on that without having a further report.

President.—It is one way or the other. I want to know whether I can take these figures as reasonable, or whether I should leave them out of consideration.

Mr. Benthall.—If you wish further figures, we can give you them.

President.—I think this statement was prepared in response to a request from the Board.

Sir W. Carey.—We gave you what we had at the time.

President.—I am prepared to leave it out of consideration, but otherwise it is necessary to make sure of the figures.

Mr. Ginwala.—You don't contemplate putting up a grass pulp mill at Saharanpur?

Sir W. Carey.—Not without further examination.

President.—There is another aspect of it. I am not considering it from the point of view of the individual mill. I am considering it from the point of view as to whether this shows that by working a mill in the immediate neighbourhood of the grass you can produce at a very much lower cost.

Mr. Benthall.—Grass figures you can leave aside and the rest can be substantiated.

President.—I want to know whether you assert that paper can be made from grass in a mill situated near the materials at a very much lower cost than you can make it at Titaghur?

Sir W. Carey.—A thorough enquiry has not been made. It would be unsafe to take these grass figures.

President.—Not only in the case of grass but about almost every figure there is a good deal to be said.

Sir W. Carey.—We can get these figures for you if any useful purpose could be served. It would not take us a great deal of time.

President.—We had better leave it alone. I won't trouble you about the details. In enclosure No. 16, where you compare the cost of manufacture at Saharanpur and the cost of manufacture at Titaghur, I understand that the two estimates are not really quite on a comparable basis because, in the case of the Titaghur estimate, you are assuming that you will bring your grass from all the fields to your present site, whereas in the case of the Saharanpur mill you will be bringing your grass solely from the western circle. That means that you are not really comparing two comparable things.

Sir W. Carey.—No.

President.—You have also taken into account on one side the up-to-date equipment of a new mill, and on the other side the equipment that you actually have at Titaghur?

Sir W. Carey.—Yes.

President.—We want to compare whether it is better to bring your coal to grass or your grass to coal, but this statement does not enable me to do that. That being so, in view of what you have already said about the other enclosure, perhaps I had better leave it alone.

Sir W. Carey.—Yes.

We have a short note prepared on the question of determining foreign prices from our average prices.

President.—Would you like to read it?

Sir W. Carey.—"The prices of our qualities and imported qualities vary so much that it would be impossible for you to arrive at c.i.f. price of imported paper from our *average price* by deducting duty, making allowance for local charges, commission, etc., but this can perhaps be approximately ascertained by taking average price of each quality separately. Take, for instance, the White Printing price, we are at present in Calcutta realising for White Printing approximately Rs. 560 per ton.

	Rs.	A.	P.
Deduct Duty at 15 per cent. on Tariff Value	89	4	0
Dealer's charges to Godown	38	0	0
Dealer's profit at 5 pies per lb.	58	5	0
	185	9	0

	Rs.	A.	P.
Less	560	0	0
Imported price	185	9	0
			Rs. A. P.
Imported price	374	7	0

But the prices in the bazaar vary considerably, some merchants work on basis of small profit and quick return, others on larger profit and slower sale. Some merchants working on former basis think $1\frac{1}{2}$ pies per lb. sufficient profit, the latter 5 to 6 pies per lb. Some importers also avoid godown expenses by ordering goods and selling at small profit whilst some are *en route* and it is difficult to ascertain fair bazaar selling rate. It may vary by $4\frac{1}{2}$ pies, but allowing dealers charges at Rs. 38 and Rs. 58 per ton profit, it will give the approximate foreign price. But we should say that the foreign manufacturer does not base his price on our price. With every paper manufacturing country in Europe competing for the Indian market the price is based by competition amongst themselves, and the Indian Mills have been forced to do their best to compete by bringing their prices down to meet this."

Mr. Ginwala.—If we go back to the individual classes of paper, we are no better off than before. The point was that it was not definitely established what particular kind of white printing or writing competed against the Indian paper. Therefore I suggested that if we took your average realised prices and deducted from that the duty that was paid on it, we might get the price of the paper that actually competed against your paper.

Sir W. Carey.—I don't think that we could usefully add anything to what we said.

Mr. Ginwala.—There is no other method by which we can find out the foreign price. We can find the average price of your paper, both the cost price and the selling price. We have not got corresponding figures.

Sir W. Carey.—The statement that we have put in to-day gives a good deal of information.

Mr. Ginwala.—It does not.

Sir W. Carey.—Then you asked me about the amount of coal consumed by English grass mills. [Reads as follows]: "English Grass Mills consume 3 to $3\frac{1}{2}$ tons coal per ton of paper produced but these mills do not boil such a large proportion of grass as we do. If wood pulp is cheap the consumption of grass might be well below 50 per cent. We should say that English Mills use a fresh quality of coal, costing about the equivalent of Rs. 15 per ton at pit's mouth."

President.—From what source did you get this information?

Sir W. Carey.—From the paper mills at Home.

President.—So long as the information is anonymous it is very difficult to make sure of it. This is the information given by the India Paper Pulp Company. They have given figures of the cost of manufacturing paper in England, and they put down fuel as £1.79 or something under £2. You can't buy $3\frac{1}{2}$ tons of English coal for £1.79. Owing to their connection with Messrs. Nelson & Sons, they obviously are in a position to give information, without mentioning the name, about actual costs.

Sir W. Carey.—We are talking of a mill which can be compared to our mill.

President.—Your statement is that in the Esparto mills in England it is about 3 to $3\frac{1}{2}$ tons.

Mr. Benthall.—Yes.

President.—Is there anything else you want to add.

Sir W. Carey.—You asked for definite instances in which we had lost business in competition with imported paper. We can give you examples.

Mr. Ginwala.—Just read an instance or two.

Sir W. Carey.—(Read letters, dated 27th November 1924, from the Company's Delhi Agent at Lahore, dated 17th December 1924, from Messrs. F. W. Heilgers and Co., Delhi, and extract from a export on Karachi market, dated November 20th 1924, received from the Company's Agents in Bombay.)*

Sir W. Carey.—We returned the order to Bombay, stating that we could not accept at less than As. 4-10½ for the White and As. 5-1½ for the Tinted. The order was refused by the customer at this price, presumably in favour of the German Bank.

President.—The only other thing I might mention is the question of manufacture of paper from grass and bamboo mixed. I understand that the India Paper Pulp Company contemplate making further experiments. I do not exactly know what they have actually arranged. What was suggested to them was that, as the first experiment was made in the Titaghur Mills, if any further experiment was to be made, it might be made by exchange of pulp between the Bengal Mills and the India Paper Pulp Company, so that all the three mills should be given an opportunity of trying. I think it was mentioned yesterday that they had arranged for this. Our idea is that when that had been done, after the holidays, the Board might call in representatives of all the three mills to consider the results of the experiments. Mr. Ascoli also suggested that the tests made on the results of the first experiment might be repeated in the presence of the Members of the Board and in the presence of representatives of all the mills. Probably that would also have to be done. I do not know how long it would take. It would be better if all the tests were made in the presence of the representatives of all the Mills and of the Members of the Board.

*These letters are reproduced in Statement XII.



सत्यमेव जयते

Witness No. 5.

INDIA PAPER PULP COMPANY, LIMITED, CALCUTTA.

A.—WRITTEN.

Statement I.—Original Representation of the India Paper Pulp Co., Ltd., dated 11th January, 1924, to the Tariff Board.

We have the honour to enquire when we may have an opportunity of appearing before your Board to present our views on the subject of a Protective Tariff on paper and paper pulp imported into India.

We take this opportunity briefly to set forth the reasons upon which we base those views. Paper was originally made from rags and, when the supply of these became too small, wood and esparto grass were introduced successfully as materials for pulp making. It has long been realised that bamboo gives a fibre at least equal to that of the best wood or grass but, until we commenced manufacture, it had never been successfully used on a commercial scale anywhere in the world. After spending very large amounts on experimental work for over three years and surmounting great initial difficulties we have now been for 18 months manufacturing from our own bamboo pulp the highest grade of paper ever made in India and which compares favourably with English made papers. Both pulp and paper are made in a mill owned by an Indian Company from materials grown in India and by Indian labour.

During and since the war the output of European paper mills was developed very greatly to meet abnormal needs. In the last year or two the consumption abroad has fallen to normal or even below, with the result that a great surplus output is hanging over the paper market and many mills in Europe are dumping their surplus, at below cost, in India and other Eastern markets. They are able to do this because it is essential for their costs that full production be maintained even if part of same is sold at, or below cost.

In addition to the handicap of this dumping policy on the part of European manufacturers, we have to pay a high royalty rate to Government for our bamboo, and while in the past Government have promised to encourage the Bamboo pulp industry by practical assistance, this policy appears to have lapsed. Without such assistance, we, who are pioneers in a new Indian industry, are unable to compete with the old established European paper mills.

Bamboo pulp and paper manufacture is an infant industry and has never had the benefit of good times to put it on its feet and therefore has a much stronger claim on Government for help than certain other industries which were in a position to accumulate large reserves during the 'boom' years.

The duty which is now levied on imported paper does not in reality favour the Indian paper manufacturer. This is more than offset by the duty which the manufacturer has to pay on imported machinery and chemicals which are not at present obtainable in India and by the heavier capital expenditure incurred as compared with a mill in England. Further, imported pulp does not pay any duty at all, although it is really the manufactured article. We wish to emphasize the fact that paper pulp is not a raw material. Its manufacture is a long and expensive process, whereas the conversion of pulp into paper is comparatively simple.

If the bamboo pulp and paper industry is enabled to expand, this will, as a natural consequence, result in the opening up of areas which are at present unproductive and to the development of allied chemical industries which will assuredly grow as the demand for their products increases.

If some encouragement of a practical nature is not received, we consider it extremely doubtful whether pulp and paper making in India from Indian bamboo

can be carried on at all.' In the report presented in 1919 by the Special Committee appointed through the Secretary of State for India, it was recommended that the manufacture of paper pulp should receive every encouragement from the Government of India and that steps should be taken to render India independent of foreign supplies of pulp and paper.

The only Indian source of fine papers is bamboo pulp. Any fine papers, other than ours, manufactured in India are made from imported pulp as it is not possible to make them from Indian grass pulp.

We therefore feel most strongly that we have a moral claim to protection in this industry and that a substantial duty should be imposed say of 30 per cent. on pulp and paper imported into India.

We shall be glad to have the opportunity of presenting our views in this connection more fully to your Board when opportunity is afforded us.



सत्यमेव जयते

Statement II.—Copy of Representation of the India Paper Pulp Company, Limited, dated 23rd January, 1924, to the Government of India, Department of Commerce.

We have applied to the Tariff Board for a hearing on the subject of protection of the paper and pulp industry in India and have been informed by them that this question has not at present been referred by the Government of India to the Tariff Board for enquiry and that we should forward our application to the Commerce Department, which we are, therefore doing.

Our object in making this application^{*} is to urge that protection should be afforded to the paper and paper pulp industry in India and we take this opportunity briefly to set forth our reasons for doing so.

Paper was originally made from rags and, when the supply of these became too small, wood and esparto grass were introduced successfully as materials for pulp making. It has long been realised that bamboo gives a fibre at least equal to that of the best wood or grass but, until we commenced manufacture, it had never been successfully used on a commercial scale anywhere in the world. After spending very large amounts on experimental work for over three years and surmounting great initial difficulties we have now been for 18 months manufacturing from our own bamboo pulp the highest grade of paper ever made in India and which compares favourably with English made papers. Both pulp and paper are made in a mill owned by an Indian Company from materials grown in India and by Indian labour.

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In addition to the handicap of this dumping policy on the part of European manufacturers, we have to pay a high royalty rate to Government for our bamboo, and while in the past Government have promised to encourage the bamboo pulp industry by practical assistance, this policy appears to have lapsed. Without such assistance, we, who are pioneers in a new Indian industry, are unable to compete with the old established European paper mills.

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If some encouragement of a practical nature is not received, we consider it extremely doubtful whether pulp and paper-making in India from Indian bamboo can be carried on at all. In the report presented in 1919 by the Special Committee appointed through the Secretary of State for India, it was recom-

mended that the manufacture of paper pulp should receive every encouragement from the Government of India and that steps should be taken to render India independent of foreign supplies of pulp and paper.

The only Indian source of fine papers is bamboo pulp. Any fine papers, other than ours manufactured in India are made from imported pulp as it is not possible to make them from Indian grass pulp.

We therefore feel most strongly that we have a moral claim to protection in this industry and that a substantial duty should be imposed say of 30 per cent. on pulp and paper imported into India.

We shall be glad to have the opportunity of presenting our views in this connection more fully to the Tariff Board when opportunity is afforded us.



सत्यमेव जयते

Statement III.—Replies to questionnaire submitted by the India Paper Pulp Company, Limited, dated 23rd June 1924.

We now send you under registered cover one copy of our reply to the Board's questionnaire. The remaining five copies required by the Board are being sent by ordinary post and we trust same will reach you by the 25th instant, which, we understand, is the date when replies are required.

REPLIES TO QUESTIONNAIRE.

I. INTRODUCTORY.

1. The India Paper Pulp Co., Ltd., was registered and incorporated as a Private Company on the 4th April 1918.

2. Being a Private Company, we are not at liberty to disclose details of the holdings. We may state, however, that the capital is entirely Rupee and that the intention has always been to make the Company a public one inviting participation from Indian shareholders and Directors, this having been the policy of the Managing Agents Firm for half a century. It has not been possible, however, to carry out this policy to its full extent owing to difficulties encountered in bringing the Company to its present stage of production whereby the Company spent much more than its original capital and extra money has been lent by the shareholders and Managing Agents.

There are no Directors, same not being obligatory for a Private Company.

Two Indians are connected with the superior management, and it is hoped to increase this proportion as the Company and technical skill of Indian employees develops.

3. We manufacture both pulp and paper, but at present the pulp manufactured is entirely for our own paper making requirements.

4. We commenced manufacture commercially in April 1922.

5. (a) Capacity for Pulp is 200 tons per month.

(b) Capacity for Paper is 240 tons per month.

6. Actual output of paper—

Year ending March 1923	1,793 tons.
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Year ending March 1924	2,435 tons.
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7. Mill is situated on the bank of the River Hooghly, at Hazinagar near Naihati, Eastern Bengal Railway, 30 miles from Calcutta.

(a) As to raw material area—Reasonably situated, but not ideally.

(b) As to coalfields—Reasonably adjacent.

(c) As to markets—Well situated, especially for coastal distribution and for possible export.

(d) As to labour—Well situated.

Other considerations—Plentiful supply of fresh water, close proximity to large engineering works where emergency repairs can be rapidly executed.

As to the most important factor in selecting the site, we consider it difficult, if not impossible, to give any one of the above considerations absolute preference. Certain conditions must be satisfied before a mill can be established, and the advantages and disadvantages must be collectively considered when choosing a site. The question of supervision has also to be taken into consideration.

8. We manufacture White Printings and Writings, Blotting, Unbleached and Toned Printings (Superior Badami), Antique Laid and Antique Woves,

Azure Laid and Coloured Printings. We have also produced lower grades such as Badami and Brown to meet market demands. (See reply No. 10).

Taking the past six months, the percentage of the total output is as follows :—

	Per cent.
White Printings	38.14
Writings	24.64
Blotting	1.92
Unbleached, etc.	7.72
Antiques	5.37
Azure Laid . . . . .	.28
Coloureds . . . . .	.47
Badami, etc.	21.46
	<hr/> 100.00 <hr/>

On account of experimental manufacture, previous records would not be of value and in our opinion, future records will show increased percentage in all superior qualities to the exclusion of Badami and Brown.

9. A broad classification might be taken as under :—

Wrappings, newsprint, printings, white and coloured wood free including the various book papers, writings engine sized, writings tub sized, ledger paper, speciality papers.

The kinds of paper we normally manufacture would be classified as good. Our paper successfully competes with and is fully equal to English papers of the same grade.

Indian raw materials and Indian demand create most favourable conditions for the manufacture of white printings and coloureds, book papers, engine sized and ledger papers. Blotting paper of a good grade can be made from bamboo. Our mill is able to manufacture better class papers than other Indian mills from indigenous raw materials. It suits us to specialize in the highest grade papers.

10. We manufacture a much larger variety of papers than a manufacturer in a Western country would do.

The Indian bazar dealer's business is such that it is necessary for him to carry a good range of papers and he makes up his orders so as to include a proportion of each line which mills must be prepared to supply. For this reason, it is necessary for the Indian mill to be frequently changing the type of paper manufactured and consequently spoiling its production in order to supply bazar dealers' demands.

The Indian manufacturer is certainly at a disadvantage in this respect. He has another severe handicap to face on account of the very large proportion of light weight papers demanded in this country. The lowest weight of cream laid foolscap which an English mill will manufacture is 8 lbs. That is to say, a ream of 480 sheets weighs 8 lbs. In India, we have to manufacture a large proportion of 6 lbs. foolscap, i.e., 25 per cent. lighter than an English mill but the lighter weight does not command a higher price per lb.

11. The Sulphite Process.

Our Pulp is manufactured by a patented process which is a modification of the ordinary sulphite process as used in the manufacture of sulphite wood pulp. In the ordinary sulphite process, the wood is cooked with Calcium Bi-Sulphite. We use Magnesium Bi-Sulphite and there are various modifications in the cooking process.

II. RAW MATERIALS.

A. Primary.

12. The primary raw material used is Bamboo.

13. Annual requirement—

(a) about 5,000 tons. Output as per reply No. 6.

(b) according to output equivalent to full capacity of pulp plant 5,000 tons. Paper plant 6,250 tons.

The plant is of course capable of much extension and its final capacity depends very largely on the recommendations of the present Tariff Commission and their subsequent adoption.

14. Approximately $2\frac{1}{2}$ tons bamboo are required for one ton of unbleached pulp.

15. About one ton unbleached pulp is required for one ton of furnished paper, but it varies slightly in different classes of paper.

16. The present bamboo forests in India and Burma are probably sufficient to supply the whole world's demand for pulp. As these forests can be worked on a three years rotation, the supply is practically inexhaustible. In this connection, we quote Mr. William Rait, F.C.S., Cellulose Expert to the Government of India. A paper prepared by this gentleman was read to the Royal Society of Arts in 1921 and reported in the World's Paper Trade Review of May 13th 1921. The following is an extract:—

"It is, I think, a modest estimate to say that from bamboo taking only that which is available under possible manufacturing conditions, Burma, Bengal and South-West India, could produce Ten Million tons of pulp per annum, and Assam, from Savannah grasses Three Million. India could therefore produce pulp for the whole world."

We would also refer the Board to Mr. R. S. Pearson's (Forest Economist) article on "The Utilization of Bamboo for the manufacture of Paper Pulp," which describes several bamboo areas.

In addition to present forests, we do not see any reason why great tracts of more or less waste land could not be utilized for the cultivation of bamboo, with the idea of obtaining supplies from localities nearer the Hill or from places where transport by river in rafts would be more economical.

17. Our main supplies are drawn from our Bamboo Reserve in the Chittagong Hill Tracts.

The transport distance from our Reserve to the Mill is 470 miles.

18. The bamboos are cut on contract, floated down in rafts to the Company's crushing and baling plant at Jaitpura which is about 14 miles upstream of Chittagong on the Karnafuli River. After crushing and baling, the bales are boated to the Chittagong Jetties, whence they follow the usual combined route to the Mill at Naihati.

The distance covered by rafting is . . .	119 miles.
By boating and steamer	134 miles.
By rail	217 miles.
	<hr/>
	470 miles.
	<hr/>

19. Particulars of Royalty will be found in the copy lease mentioned in reply No. 21.

20. The average cost per ton delivered at the Mill may be taken as Rs. 50, which we hope will be much reduced on a large scale of extraction following expansion of the present plant. The cost of reserve Bamboo varies according

to the quantity extracted which may increase or reduce overhead charges. Moreover, the development of the reserve in order to work up to the quantity required, necessitates abnormal expenditure which would not give a fair idea for criticism or comparison. Although there is plenty of bamboo available, the organization of collection on a large industrial scale can only be done at great cost to the pioneers.

We regret being unable to give detailed figures even if in confidence. Even though the information were not disclosed, it might possibly leak out and be of value not only to our competitors in this country, but also to those abroad.

We hope the fact that this Company having borne the heavy cost of experimental manufacture to prove the success of bamboo paper and hence to prove the advantage to the country mentioned in reply 29, will not be lost sight of by the Board.

21. A copy of our lease is enclosed. We consider that the terms are reasonable from the Government's point of view, but having consideration for the fact that the industry is an entirely new one, we think the terms could have been made on the basis of no Royalty for the first 7 years.

We know of two cases in Burma where the Government granted leases in the same year as our own, *viz.*, 1920, the period being the same. No royalty is payable on either of these concessions for the first 7 years and afterwards royalty is based on Re. 1 per ton on air dry unbleached pulp. Taking into consideration our reply No. 14, it will be seen that the cases cited have much more favourable concessions than ours, and considering the possibilities of the industry and the risks taken by us as pioneers, we consider the terms given us might have been as favourable.

22. We expect the quality of the raw material to remain constant as we have found it in the past.

23. We expect the quantity of raw material to increase as our reserve organization develops. Our reply No. 16 also bears on this question.

24. In view of reply Nos. 20 and 23, an answer is not required to this question.

25. Our supply of raw material is assured, practically in perpetuity. The Reserve area alone is approximately 470 sq. miles, and is dense with bamboo. In addition, we are also experimenting other sources of supply against the event of very large expansion taking place in our consumption.

26 & 27. We do not consume Sabai Grass.

28. We consider bamboo one of the world's finest paper making materials, and fully equal to the best wood pulp.

29. In view of our previous replies, we do not think there is any doubt whatever that this country possesses a large advantage due to the existence of its bamboo forests as compared with other countries.

30. Comparison of bamboo with Sabai :—

- (a) We believe the quantity of available Sabai Grass is limited and that its growth is restricted to certain localities. Bamboo is almost unlimited in quantity.
- (b) We are not in a position to speak as to continuity of supply of grass. Continuity of supply of bamboo, we believe, is quite assured.
- (c) We believe bamboo is more accessible than grass, and that it could be cultivated in close proximity to Mill.
- (d) We believe bamboo is cheaper than grass now, and we hope the cost of bamboo will be considerably reduced in the future, with increased extraction.

We believe the yield of paper from sabai grass is in the vicinity of 33 per cent. while the yield from bamboo is 40 per cent.

- (e) Bamboo pulp as manufactured by us is infinitely superior in quality to sabai grass.

With regard to the last paragraph, we do not feel that our experiment has gone far enough to make a comprehensive answer. We can safely state that pulp can be manufactured from practically any class of bamboo.

31. We have no real knowledge, but believe there are a few grasses other than sabai suitable for pulp manufacture, but we understand that the quantities available are unimportant.

32. We do not use rags, but the supply in India is limited and very poor in quality. To extend the supply would require an elaborate collecting organization, which would probably raise the cost above an economic level.

33. See reply No. 21.

34. (a) No.

(b) A small quantity of imported pulp is necessary for the present. We do not use imported pulp for making special papers. It is solely to obtain maximum output. Most of our supplies have been imported from Norway and prices have always been C.I.F. Calcutta. During the past 18 months the price has fallen from £18-10-0 to £14-10-0, Landing charges are Rs. 2-8-0 per ton, and transport to Mill Rs. 2-8-0 per ton.

35. While we have a concession rate for the importation of bamboo from the Reserve from the Railway and Steamer Companies, this item is a very heavy charge on the cost of our primary raw material. The concession rate first quoted us in 1919 was Rs. 7 per ton, whilst to-day it has risen to Rs. 8-7-0.

B. Auxiliary.

36. The chief auxiliary raw materials used by us and our annual requirements are as follows :—

Sulphur.

Magnesia.

Bleaching Powder 250 tons—about (varies according to quality of paper manufactured).

Rosin, 65 tons.

Alum, 150 tons.

China Clay, 270—300 tons.

Dyes, 14 cwt. 2 qrs. 4 lbs. Value Rs. 6,572-14-6.

Wires, 12 per annum.

1st Press Felts, 14 per annum.

Jackets Couch, 8 per annum.

Dryer Felts, 1 set.

Stores—value Rs. 1,10,000—Principal Items :—Belting Rs. 9,500, Oil Rs. 7,000.

37. (a) This does not apply.

(b) This can only be given confidentially.

38. (a) *Auxiliary Raw Materials imported from abroad.* Bleaching Powder, China Clay, Dyes, Wires, 1st Press Felts, Couch Jackets, Dryer Felts, Stores value Rs. 17,000 including Belting Rs. 6,232.

Purchased in India though not manufactured here. Sulphur, Mill Stores value Rs. 14,000 including Oil and Grease Rs. 6,984, Belting Rs. 3,312, Cotton Rope Rs. 3,775.

(b) *Manufactured and Purchased in India.*—Magnesia, Rosin Alum Stores value Rs. 78,955.

(c) *Manufactured by us from other materials.*—The only chemical which comes under this head is Magnesium bi-sulphite, the cooking liquor. This is manufactured from Sulphur and Magnesia. The manufacture of this chemical is an integral part of the process of our pulp manufacture and cannot be fairly

taken as a separate manufacture. In any case, there are no data from which a comparison could be made.

In the case of A, the country of origin is England with the exception of Dyes which are imported from Germany.

The port of importation is Calcutta in every case.

Other particulars required are as follows:—

A.

	Price in Sterling per ton.	Freight and Insurance.	Landing Charges and River Dues.	Transport Charges to Mill.	Custom Duty.
	£ s. d.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Bleaching Powder	10 1 3	45 9 1	1 2 0	3 13 0	37 8 0
China Clay	3 12 3	20 1 9	2 10 0	2 7 10	12 12 0
Dye—Rhodamine	451 0 1	65 9 11	23 6 5	..	797 15 11
Dye—Blue	980 8 1	65 9 11	23 6 5	..	797 15 11
Wire	46 3 10	21 0 0	0 15 9	0 8 0	16 10 0
Felt	14 2 2	8 12 6	0 5 6	0 1 4	5 8 4
Jacket	7 16 5	2 6 8	0 3 1	0 1 0	3 0 0
Dryer Felt—					
{ 70 × 102 ea.	75 14 6	28 0 6	1 12 3	0 11 0	29 3 0
{ 65 × 102 ea.	70 11 3	29 11 1	1 2 6	0 13 0	27 4 0
{ 58 × 102 two	125 4 7	43 11 8	4 2 0	1 1 0	48 3 0
Woollen { 41 × 102 ea.	54 13 3	20 10 1	1 0 6	0 8 6	20 5 1
{ 26 × 102 ea.	34 16 2	13 1 9	0 10 6	0 5 6	12 14 11

B.

	Manufactured by	Market Price.	Transport Charges to Mill.
		Rs. A. P.	Rs. A. P.
Sulphur	Sicilian	117 0 0	2 7 2
Magnesia	Magnesite Syndicate, Ltd., Salem, Madras Presidency.	92 8 0	22 5 1
Rosin	The Indian Turpentine and Rosin Co., Cawnpore.	241 2 0	35 7 0
Alum	D. Waldie and Co., Konnagar	126 8 0	3 8 0

39. Bleaching Powder will certainly be manufactured by our Mill for our own use as soon as the paper making plant is sufficiently large to carry the expense of a bleaching plant. The electrolytic process would be used with salt as the base from which the bleach would be manufactured.

There are China Clay manufacturers in India, but in spite of repeated and extensive trials, their products have been found quite unsuitable for paper manufacture.

Dyes.—The manufacture of these is a highly specialised industry which we do not think is likely to be established in India.

Wires.—If the demand for wires becomes sufficiently large in India, we see no reason why this industry should not be established here.

Felts and Jackets.—Here again we see no reason why this branch of industry should not be established in India. It is simply a question of having a sufficiently large demand to justify the installation of the special plant required.

Sulphur.—This is not likely to be produced in India as was shown in the evidence placed before the Board in their recently completed inquiry.

Dryer Felts.—We do not think it likely that these will be made in India in the near future. The consumption is small and the manufacture is a specialised one in the hands of a very few people who have operated in this class of material for many years. However, should the industry grow sufficiently, we do not doubt that this also would follow and be established in this country, in the course of time.

Belting.—This is already being produced and we see no reason why belting should not be manufactured in this country to suit our requirements.

III. LABOUR.

A Field Labour.

40. As the work is done through contractors, it is difficult to say the exact number of labourers employed in extracting and collecting raw material, but we should say it is at present between 800 to 1,000.

For reasons already explained in reply No. 20, we are unable to give details of wages. We may state, however, that in our own Reserve we spend approximately 1½ lakhs Rupees per Session on labour and that in the comparatively short time we have been operating the Reserve, the cutters prices have increased about 60 per cent.

41. We have had the usual labour difficulties in accustoming semi-civilized labour to a new industry. Ultimately, we hope to enjoy specially favourable conditions as regards labour, as we provide work for the local population who live largely by jhuming, at times of the year when they have no agricultural duties to attend to.

42. The labour is indigenous. Although we have not obtained all our requirements from the Reserve, we do not attribute this to shortage of labour. Our last two seasons have shown a decided improvement in outturn which we have every reason to believe will continue. We believe the labour is available in sufficient quantities and that it is only a matter of time to accustom same to our requirements.

43. No special training is required.

B. Mill Labour.

44. Our process being a new one, expert supervision is required, but efforts are being made and have to some extent been successful, to replace imported supervision by home trained.

45. We have only four non-Indians in the Mill : Manager, Engineer and two Machinemen. We also have an Anglo-Indian assistant engineer.

The same staff would probably run a mill of double the capacity. At the outside one extra man would be required.

46. The Mill was started with the absolute minimum of European labour and everything possible has been done to keep to this. If the plant is increased, we hope to be able to run with the present staff of Europeans. All other labour is local.

It is anticipated that while the Indian workmen will become more expert, yet some European supervision will be required for a number of years.

Indian Workmen are given every facility to acquire training in skilled work. We have always a number of learners on the paper making machine, beaters and finishing house, and in fact, in every department of the Mill where skilled labour is required.

47. European labour obtains roughly about 50 per cent. above the average rate of wages which would be drawn in England by this class of workman, but in this connection, it must be remembered that only picked men are sent out here.

48. The total number of Indian workmen employed varies a little with the season, but average about 450.

Wages in the various classes are as under :—

Head Mechanic, Rs. 190 a month.

Head Shift mistries, Rs. 70 a month.

Assistant Shift mistries, Rs. 60 a month.

Fitters from Rs. 1-4-0 to Rs. 1-9-0 per day depending on qualifications.

Turners and Planers, Rs. 1-6-0 to Rs. 1-10-0 per day depending on qualifications.

Moulder, Rs. 60 a month.

Head Carpenter, Rs. 70 a month.

Carpenters, Rs. 1-6-0 to Rs. 1-12-0 a day.

Head electricians, Rs. 60 a month.

Assistant electricians, Rs. 50 a month.

Switchboard Attendants and Motor Boys, 12 annas a day.

Pump men, Re. 1-0-0 per day.

Oilers from Re. 1 to 12 annas per day.

Head Firemen, Rs. 50 a month.

Firemen, Re. 1 a day.

Ash Coolies, 12 annas per day.

Khalasis, Sirdar, Rs. 1-8-0 per day.

Khalasis, 14 annas per day.

Head Mason, Rs. 60 per month.

Mason, Rs. 1-4-0 to Rs. 1-6-6 per day.

Machinemen, Rs. 70 per month.

1st Assistant Machinemen, Rs. 28 per month.

2nd Assistant Machinemen, Rs. 26 per month.

3rd Assistant Machinemen, 14 annas per day.

Boys, Rs. 14 per month.

Cuttermen, Rs. 40 per month.

Cutter Coolies, 14 annas a day.

Cutter Boys, Rs. 14 a month.

Head Finishers, Rs. 60 per month.

Finishers, Rs. 28 to Rs. 25 per month.

Beatermen, Rs. 60 per month.

Assistant Beatermen, Rs. 1-8-0 a day.

Coolies, 14 annas a day.

Chemical House cooly, 14 annas to 15 annas a day.

Washing plant coolies, 14 annas to 11 annas a day.

Bleach tank coolie, 11 annas a day.

Digester house fitters, Rs. 1-8-0 to Rs. 1-4-0 per day.

Coolies from 10 to 14 annas per day.

Acid Plant men, Rs. 1-2-0 to Re. 1 per day.

Bamboo Crusher head coolie, 14 annas per day.

Bamboo Crusher coolies, 11 annas a day.

Outdoor coolies, Sirdar Rs. 48 per month.

Outdoor coolies, Assistant Sirdar Rs. 40 per month.

Outdoor coolies, Rs. 0-10-6 per day.

49. Our plant was not manufacturing in 1913-14.

For the year ending 31st March 1924, our wages bill amounted to Rs. 1,63,400 for Indian labour only. Average rates are given in reply No. 48.

50. The Indian labour force is sufficient. This labour is mostly settled in the locality of the Mill though originally drawn from various parts of India.

51. Indian labour decidedly improves with training. It is hardly fair to compare a man who has been given a high class technical education with a man who starts as practically illiterate. If educated Indians were seriously to take up paper manufacture, we believe results would be most satisfactory.

52. We have built individual houses for our senior Indian staff and for the lower grades, lines have been built and supplied free of charge. We keep these lines clean and sanitary and provide our workpeople with an abundant supply of wholesome drinking water. We have a Mill Doctor and all workpeople and their families are attended and provided with medicines free of charge. We have had little time to do anything more as we are quite a new mill, but the care of our workpeople and their welfare is with us a very important consideration. Apart from this point of view, we consider we obtain much better work out of a well looked after and contented worker than if left to look after himself.

IV. POWER (INCLUDING FUEL).

53. Power used in the Mill is derived from electricity, except for the paper-making machine and several pumps which are steam driven.

The exhaust steam from the engine driving the paper making machine is used for drying the paper on the cylinders.

The electric power is obtained from a modern steam driven power station situated in the Mill.

The full capacity of our plant is 1,100 Kwts, A. C., 440 Volts, 3 Phase, 50 Periods per second. Consumption of power at present is only one-third of full capacity.

Operating cost (exclusive of capital charges) is .45 annas for K. W. hour. It is not known how this compares elsewhere, but in 1919 we believe the cost in various parts of England varied from .45 to 1.55 pence per K. W. hour exclusive of capital charges.

55. Coal is employed for steam power and is available in sufficient quantities.

56. We use approximately 4.25 tons of coal per ton of finished paper produced.

57. Coal is brought by rail from the Bengal coalfields a distance of 150 miles. Price f.o.r. Colliery is Rs. 6-8-0 per ton.

Freight to Mill, Rs. 3-8-6 per ton.

58. While we do not control our sources of supply of fuel, yet the supply is assured many years to come.

59. We do not use wood fuel.

V. MARKET.

A. For Paper.

60. We can only estimate the present Indian production at 33,000 tons per annum.

61. (a) 93,000 tons.

(b) 83,000 tons.

62. We consider it likely that Indian demand will increase because we believe India is one of the present lowest consumers of paper per head of population. The consumption per head of newsprint alone in the United States of America

is 50 lbs., whereas the consumption per head of all classes of paper in India is less than one lb. The development of the country and the spread of education must of necessity result in increased demand for paper. The use and demand for paper is one of the certain and most positive signs of a country's development.

63. Principal markets in India are:—

	Miles.
Calcutta—distance from Mill	30
Allahabad—distance from Mill	494
Delhi—distance from Mill	884
Lahore—distance from Mill	1,213
Cocanada—distance from Mill	690

64. The question of distance does not give us any advantage. Allahabad, Delhi and Cocanada are practically the same distance from Naihati as from the Port of Calcutta. Lahore is 755 miles from Karachi as compared with 1,213 miles from Naihati.

65. The export of paper from India is probable at some future date to Australia and New Zealand and South Africa.

The chief demand we could supply would be for printing papers and engine sized writing.

It is impossible to give any estimate, but we might point out that during the quarter ending September 1923 Australia imported paper valued at £855,144, *vide* The World's Paper Trade Journal of 18th April 1924, page 1262. A large portion of this paper consists of qualities which might be manufactured in this country.

66. We were not manufacturing during the war period.

<i>Purchased by the Government of India, 1923-24.</i>			<i>Government of India, 1924-25. (Present Contract.)</i>		
	Rs.	A. P.		Rs.	A. P.
20 tons Cream Laid	0	5 2½ per lb.	40 tons Cream Laid	0	4 4 per lb.
170 „ Unbleached	0	3 10½ „	115 „ Cream Wove	0	4 4 „
180 „ Badami	0	3 6 „	250 „ Unbleached	0	3 8 „
150 „ Brown	0	3 0 „	60 „ White Printing	0	3 10½ „
—			20 „ Duplicating	0	4 4½ „
520 tons.			—		
			485 tons.		
Eastern Bengal Railway, 1922-23, 100 tons White Printing . . . . .			. . . . .	0	4 3 per lb.
E. B. R. and O. & R. R., 1923-24, 3 tons Cream Wove . . . . .			. . . . .	0	5 2½ „
			3 „ Blotting	0	5 6 „
			2 „ Blotting	0	5 8 „
			6 „ Superior Badami	0	4 1½ „
			—		
			14 tons.		

These prices, however, included free delivery.

67. Our paper is not consumed by newspapers because our quality is too high for this class of business.

B.—For Pulp.

68. Emphatically yes. We claim that our pulp is superior to any produced in India and equal to the best European qualities, and in our opinion, is bound to have a ready sale.

69. We have as yet no arrangements for manufacturing pulp for sale, for, with the steamer companies giving every facility and manufacturing concerns in Europe landing pulp at what we understand is considerably below cost of manufacture, we have not thought our market sufficiently secure and free from unfair competition.

70. The pulp is imported on account of inadequacy of present supply which however is due to the fact that economic conditions make it possible for foreign manufacturers to land their material into this country at unremunerative prices. The uncertainty of the situation has prevented manufacturers in India laying out large sums of money for the development of the local resources and erection of expensive plants.

Previously a certain amount of wood pulp was imported for certain special qualities of paper. It is now possible to manufacture from bamboo pulp any paper that can be manufactured from wood pulp, the quality being equivalent.

We consider the present importations of pulp could be entirely replaced by pulp produced in India, particularly from bamboo. Indian Bamboo Forests possess a natural product in unlimited quantities of ideal raw material suitable for the manufacture of all grades of paper to meet the whole of India's internal demand, leaving surplus pulp available for export as mentioned in reply No. 72.

71. We estimate the present domestic market for Indian pulp at 10,000 tons.

The possible market is capable of almost unlimited expansion as the country develops.

The principal market in India is for sulphite pulp, and a small quantity of soda pulp. Sulphate and mechanical pulps are also imported. The latter is not an economical pulp to import, because it degrades the quality of the paper made without any compensating economy in production.

72. The export of pulp from India to foreign countries is undoubtedly probable in the more distant future provided the industry is protected.

Export is particularly probable to the Straits, South Africa, Australia and New Zealand. Certainly three of these countries have no paper industry at the moment and have not yet found a wood in sufficient quantity suitable for manufacture into pulp.

It is impossible to form an estimate and inadvisable to hazard an opinion as to kinds of pulp India might eventually be able to export.

VI. FOREIGN COMPETITION—PAPER AND PULP.

73. In regard to paper, competition is keenest from the United Kingdom, Norway, Sweden, Finland, Germany and Holland. We anticipate that competition will become keener from Germany as we believe it is this country's intention to give very low freights to exporters by German lines.

In regard to pulp, Norway, Sweden and Finland are the chief competitors.

74. Competition is particularly keen in white printings and writing.

75. The papers with which we have to compete are made from wood pulp and esparto grass. In some cases the papers contain a small percentage of mechanical pulp.

76 and 77. (i) We give below the lowest rates cabled in February 1924 by the Director-General, India Stores Department, London, for the Government of India tender, 1924-25. These figures were supplied by the Controller of Printing, Calcutta, and are therefore reliable. Although the duty has been calculated on the *ad valorem* value instead of on the tariff valuation, it will be noticed that an additional 5 per cent. has been added by the Controller which compensates for this difference.

	Rate per lb. in London.	Freight at £2-5-6 per ton on writing and £2 on printing papers.	Interest and Insurance at 15 per cent.	Duty at 15 per cent. plus 5 per cent.	Landing charges at 6s. 2d.	Total cost.	Exchange 1s. 4d.
	d.	d.	d.	d.	d.	d.	A. P.
Cream Laid & Wove	3-1	0-24	0-02	0-67	0-04	4-07	4 0-84
White Printing	2-9	0-21	0-02	0-62	0-04	3-79	3 0-48
Unbleached	2-4	0-21	0-02	0-52	0-04	3-19	3 2-28

(ii) Average prices obtained for our papers:—

Quality.	1922.	1923	1924.
	Rs. A. P.	Rs. A. P.	Rs. A. P.
White Printing	0 5 3	0 4 5½	0 4 3
Cream Laid	0 5 4	0 4 11½	0 4 6

The rates are nett ex Mill. These prices refer only to bazar sales and not to contracts as reported in reply No. 66.

78. We do not consider Foreign Trade Journal quotations to be reliable so far as Indian importers of paper are concerned, and we have only considered such *bona fide* quotations as have been available from time to time.

Paper is probably exported below Trade Journal Prices, especially where firms have surplus stock to dump. In order to maintain full production and to keep down overhead costs, home mills are willing to manufacture for export even though it involves a small loss in order to maintain the prices in home markets.

It is impossible to say by what percentage the quoted price should be reduced.

79. See answer No. 78. So far as paper is concerned, the evidence on which we rely is the personal knowledge of home manufacturers with whom we are in contact.

Regarding pulp, a glance at any recent Trade Journal will show that the market is giving producers a good deal of anxiety and many mills in Scandinavia are running at a loss on the figures now prevailing.

80. Foreign competition is keenest in Bombay, Madras and Calcutta.

81. See answer No. 78. Dumping in India maintains the home prices. So far as we can tell, these causes are likely to continue for some time.

82. Foreign imports are invariably made on a c.i.f. Indian port basis. Sea freight therefore does not apply when comparing freights payable by importers to reach the various Indian markets.

83. Comparison between railway freights paid by importers and our Mill is given below:—

	Pies
Howrah to Allahabad (513 miles)	272 per lb.
Naihati to Allahabad (494 miles)	260 „
Bombay to Delhi (848 miles)	415 „
Naihati to Delhi (884 miles)	324 „
Karachi to Lahore (755 miles)	400 „
Naihati to Lahore (1,194 miles)	472 „
Armenian Ghat (Calcutta) to Cocanada (648 miles) .	25 „
Naihati to Cocanada (681 miles)	28 „

84. No.

85. (a) Compared with the foreign manufacturer, the Indian manufacturer is at a disadvantage in regard to the cost of plant and machinery.

Freight, insurance and duty, landing charges, etc., have to be paid over and above the foreign manufacturer's cost. If a part is broken, it often means replacement from home resulting in delay in starting up, the plant being kept unproductive for a much longer time than would be the case with a home mill. The question of interest on home purchases has also to be considered. The Indian manufacturer also has to carry more spares and stock owing to their being unobtainable in this country.

(b) Expert labour, which is at present chiefly imported, is naturally more expensive in India.

(c) Ordinary labour per head is cheaper in this country, but owing to larger numbers being necessary to do any particular job and the fact that spare men have to be kept for replacement and training in case of illness, the actual cost does not show any advantage as compared with Western countries. Allowance has also to be made for more frequent leave.

(d) Owing to labour not yet having become accustomed to working for a new industry which they regard with suspicion, we are at present at a disadvantage in this respect.

We believe the Indian Railways' charges are high, and might be reduced to help establish this nascent industry.

(e) The Indian manufacturer is at a heavy disadvantage regarding cost of auxiliary raw materials and consumable stores.

The freight on bleaching powder is 55s. per ton and duty at 15 per cent. on Rs. 12-8-0 per cwt.

The freight on china clay is 22s. 6d. per ton and duty at 15 per cent. on Rs. 85 per ton.

The mill stores, mentioned in reply No. 38 (a) have all paid freight and duty of 15 per cent. *ad valorem*.

The Board is fully conversant with the duty on sulphur.

(f) We believe freights in this country are higher than in England owing to the long distance between various consuming centres.

(g) See answer to (a).

(h) Customs duty is a severe handicap indeed, and while we do not object to a high duty where the materials taxed in this way are being satisfactorily manufactured in this country, it does seem wrong that materials which no one is manufacturing suitably in this country should be heavily taxed. Take bleach for example. There is no bleach-making industry in India, and we do not know that it is even suggested that this commodity should be manufactured in this country. Yet we pay a 15 per cent. duty and, in addition, bleach undergoes very rapid decomposition here, which means (as we must keep a stock) a heavy annual loss. In addition to this loss through depre-

ciation, we have to pay for this commodity a price which is about 50 per cent. higher than that which the home manufacturer pays.

(i) The Indian investor expects a much larger return on his capital than the English investor and there is a very much less capital available in India for new industries than in England.

86. Regarding the permanency or otherwise of the disadvantages mentioned above:—

- (a) Cost of machinery and plant will naturally be permanent under present conditions. Should the industry expand sufficiently to justify the engineers putting down paper-making plant and machinery, this would tend to disappear.
- (b) Cost of expert labour. We take it that this question refers to the high cost of imported expert labour. We are at a disadvantage which is not likely to be entirely removed for some time, but as Indian labour becomes more skilled, the disadvantage should be largely reduced and in the course of time might even be caused to disappear by the gradual substitution of skilled and technically trained Indian labour.
- (c) While the rates of wages are not likely to be reduced, the efficiency of Indian workmen will increase under the system of training we have introduced and increased efficiency will result in reduced cost.
- (d) Collection and transport of primary raw material and costs should improve as the organization to deal with them is developed and the consumption increased.
- (e) Cost of auxiliary raw materials and consumable stores in a large number of cases—temporary. Bleach, for instance, would be manufactured in the mill should we expand as we hope to do with the assistance of adequate protection.
- (f) We hope that freights on finished goods will be reduced in the near future and also that special concessions will be given to finished goods.
- (g) Maintenance of stocks of spare parts. Again it is a question of the industry growing large enough to justify plant being put down in this country. If this stage is reached, the necessity of holding excess stocks of spares will disappear.
- (h) Customs duty on imported materials—temporary, we hope, in the case of materials which are not now manufactured nor likely to be in this country.
- (i) The raising of capital. If sufficient protection is received to put the mills in the country on their feet, we consider that disadvantage would be lessened and the investors probably willing to accept a reduced return on account of the increased confidence which they would have in the industry.

VII. EQUIPMENT.

87. We do not consider our mill sufficiently large as an economic unit of production to ensure economy.

The smallest unit of production that can be operated to the best advantage is in our opinion a two-machine mill.

88. The manufacture of both pulp and paper requires the employment of expensive machinery. The paper machinery is very elaborate. Pulp involves the use of very heavy plant which is expensive, in first cost and also in maintenance.

If a duty were placed on paper without a corresponding duty on pulp, small mills which could manufacture paper alone from imported pulp could

be set up in seaport towns at low cost as compared with complete plants which manufactured both paper and pulp from indigenous fibres, and these mills would employ but little labour, and do nothing towards developing the resources of the country.

89. Percentage of plant and machinery on total block outlay is 57.77 per cent.

90. Our plant consists of the following units:—

(a) *Bamboo Crushing Plant*.—This consists of a series of heavy rolls grooved and fluted, run in pairs. At the end of the crushing rolls is a cutting arrangement whereby the crushed bamboo is cut into chips. These chips drop into a circular rotating drum and are raised by an elevator to the top of the digester house.

(b) *Acid Plant*.—In this plant we manufacture magnesium bi-sulphite with which the bamboo is cooked.

The plant consists of two magnesite mixing tanks, one sulphur melting tank, one rotary sulphur burner, one combustion chamber, one cooling tank, one absorption tower, one vacuum pump.

(c) *Cooking Plant*.—The bamboo is cooked in digesters 42 feet long and 12 feet in diameter.

(d) *Blow Tanks*.—These receive the contents of the digesters and consist of stout wooden tanks with a false bottom, the latter being perforated to allow liquor to drain away from the pulp.

(e) *Washing and Straining Plant*.—This consists of a long series of troughs over which the well diluted pulp flows slowly allowing any heavy grit or sand which has been held in suspension to settle out. The stuff then flows to a strainer where the fine fibres pass through, but where all unresolved or partially digested bamboo is held back. Thence the strained stuff passes over a drum washer. This consists of four drums covered with wire gauze. The dirty water is extracted and the pulp is treated with successive showers of clean water. The washed pulp then passes to the *Bleaching towers*, of which we have five. Bleach is added and the stuff is pumped across the towers successively. When fully bleached, the pulp is washed again and concentrated and pumped to the *Beaters*, of which we have four, three Tower Beaters and one Hollander Beater. When ready, the stuff is pumped to the machine chest and is ready for the paper-making machine.

(f) *The Paper Machine* is of modern design for the manufacture of fine printing and writing papers. It is 98 inches wide, has two presses, 17 cylinder and smooth rolls and three stacks of calendars. It is driven by an Ashworth and Parker engine which exhausts to the drying cylinders where the exhaust steam is used to dry the paper.

We are equipped with a cutter, a reeler and a guillotine.

We have the usual auxiliaries in the way of stores godowns, etc., machine shop, blacksmith's shop and foundry for small iron and brass castings.

(g) *Power Plant*.—Our power is obtained from a steam-driven power plant of the latest design.

The principal plant and machines in the mill are as under. (See also reply No. 95.)

Bamboo Crushing Plant—Jas. Bertram & Sons, Edinburgh.

Digesters—Chicago Bridge & Iron Co.

Acid Plant: (a) Burner—Hydraulic Machinery Co., Ltd., Montreal.

(b) Cooler—Constructed on site from local materials.

Magnesia Tanks—The Petroleum Iron Work Co., Ohio.

(c) Barker Absorption Tower—E. Barker, Boston, built by Hodge Boiler Works, Mass.

Blow Tanks—Constructed on site from imported timber.

Washing Plant—Chests, sandtraps, etc., made on site from locally obtained materials.

Rough Pulp Screen—Jas. Bertram & Sons, Edinburgh.

One Leith Walk Strainer—Jas. Bertram & Sons, Edinburgh.

One set Washing Drums—Jas. Bertram & Sons, Edinburgh.

Bleaching House Towers—built on site from locally obtained materials.

Fittings, pumps and pipes from Jas. Bertram & Sons.

Concentrators, two—From Jas. Bertram & Sons.

Chemical House—Bleach Mixing Tanks, built from locally obtained materials. Piping from Jas. Bertram & Sons. Size Boiler, Size Storage Tank, Size Mixing Tank, two Clay Mixing Tanks, all from Jas. Bertram & Sons.

Beater House—Three Tower Beaters from Mason & Scott, London.

One Hollander Beater from Jas. Bertram & Sons.

Chests and Sandtraps—Built on site from locally purchased materials.

Paper Machine and Fittings—From Jas. Bertram & Sons, Edinburgh.

Machine Engine—Ashworth & Parker, Bury.

Paper Cutter—Jas. Bertram & Sons.

Paper Reeler—A. Sheldon & Sons, Wells, Somerset.

Guillotine—Greig & Co., Edinburgh.

Press Roll Buffing Machine—Jas. Bertram & Sons.

Power Plant—Brush Ljungstrom Turbine by the Brush Co., Loughborough.

One Gravity Filter Plant of 20,000 gallons per hour capacity by Paterson Engineering Co., Ltd., London.

Motors—The various motors in the mill were obtained from the following firms:—

Bruce Peeble, Edinburgh.

Metropolitan Vickers, Manchester.

English Electric Co.

British Thomson Houston Co., Rugby.

Mechanic's shop: Lathe—D. Mitchell & Co., Rugby.

Boring Machine—D. Mitchell & Co., Rugby.

Placing Machine—Summerskill Brothers.

91. Yes, but the industry requires protection in order to develop itself and the sources of supply of raw material, and to offset the extra costs of machinery and chemicals as compared with home mills.

Our Mill is undoubtedly the best equipped and most modern mill operating in India to-day, and it compares most favourably with any home mill.

92. There is a continuous effort at improvement in the various large paper-making countries. As regards processes, a number of new processes have been devised, but none have been proved out except the new process, which we are successfully carrying out for the treatment of bamboo by the modified sulphite process devised by Mr. Jas. L. Jardine of Penucuik, Scotland. In machinery, there has been no noticeable advance. In novel ideas the big advance has been in newsprint machines in which there is a continuous striving after greater width and greater speed and mechanical devices which allow of the quick handling of paper being manufactured at high speeds. Modern new machines are up to 240 inches wide and operate at speeds up to 1,000 feet per minute.

In fine mills there has been no noticeable advance in plant in the last 10 years. Some small devices to give higher efficiency and great economy and an increased production have been introduced, but there has been no big advance in machinery.

93. Our whole plant was erected later than 1914. See reply No. 90.

We have adopted a new and original process for the manufacture of paper pulp from bamboo. This is done under a protected process worked out by Mr. James L. Jardine of Penicuik, Scotland, and patented jointly in the names of Ian. T. Nelson and J. L. Jardine. The process has been entirely successful after many years of experiment and research.

Our process to a certain extent runs parallel with the methods adopted for the cooking of wood pulp. A different acid is used in cooking though the process of manufacture is practically the same to that used in the preparation of acid used in wood cooking.

In the manufacture of wood pulp, the wood is prepared by chipping and screening. Bamboo is prepared by crushing, the machine being specially designed for crushing bamboo and is patented and protected. After the crushing process, the bamboo is loaded into the digesters and acid is pumped in and cooked. From then onward, the process compares with the ordinary sulphite practice, only we have the most modern and up to date methods of dealing with the bleaching and preparation of the pulp for manufacture into paper.

The acid is manufactured in a separate plant which is slightly modified from the most modern method of acid manufacture as practised in the United States of America. When the acid is ready, it is pumped to storage tanks, from whence it is drawn to the digesters as required.

94. (a) and (b) This depends on the verdict of the Tariff Board and resulting legislation.

95. Reply No. 90 gives particulars of machinery made in India. The erection of imported plant was a considerable item.

VIII. CAPITAL ACCOUNT.

*Being a private Company the Board will appreciate our reasons for asking that the figures given in this Section be treated in strict confidence.**

96. Block value as at 31st March 1924 was as under:—

	Rs.	A.	P.
(a) Patent Rights	3,80,000	0	0
(b) Lands	1,18,438	10	3
(c) Buildings	11,30,328	6	1
(d) Plant and Machinery	24,27,277	13	6
(e) Other Miscellaneous Assets	1,45,435	3	6
	42,01,480	1	4

97. The figures given above represent the values after depreciation has been written off.

The total amount written off since manufacture commenced is as follows:—

	Rs.	A.	P.
Buildings	57,151	8	2
Plant and Machinery	4,01,305	0	10
Other Miscellaneous items	6,569	11	0
	4,65,026	4	0

98. The depreciation taken is equal to the rates we consider suitable and at the actual income-tax rates allowed by the authorities.

* This stipulation was subsequently withdrawn.—See oral evidence.

99. We regret it is not possible for us to give an estimate of present day cost owing to the short time available. We do not see any reason to suppose that the operating cost of any new mill would be less than ours.

100. Brief particulars of principal remittances for purchase of plant are as under:—

						Rs.	A.	P.
1920	March 31.	£35,000	0	0	at 2/4 . . .	3,00,000	0	0
		£32,000	0	0	„ 2/4 . . .	2,74,285	11	4
	June 14.	£ 1,530	0	0	„ 1/11½ . . .	15,625	8	6
	July 5.	£ 3,750	0	0	„ 1/9½ . . .	41,618	7	11
	August 18.	£ 3,586	14	10	„ 1/10½ . . .	38,484	9	1
	October 7.	£ 2,170	0	0	„ 1/8½ . . .	25,878	4	2
	November 13.	£ 8,490	0	0	„ 1/8 . . .	1,01,880	0	0
1921	January 4.	£ 9,700	0	0	„ 1/5½ . . .	1,33,028	9	2
	February 4.	£ 1,406	11	5	„ 1/4½ . . .	20,537	10	0
	September 12.	£ 5,546	19	1	„ 1/3½ . . .	85,201	3	3
		£ 9,531	5	2	„ 1/3½ . . .	1,48,178	4	3
		£ 2,186	6	2	„ 1/4 . . .	32,794	10	0
	November 10.	£ 5,000	0	0	„ 1/4½ . . .	74,568	1	8
		£ 5,000	0	0	„ 1/4½ . . .	74,713	2	9
	November 15.	£ 5,000	0	0	„ 1/4½ . . .	73,704	6	8
		£ 7,523	0	0	„ 1/4½ . . .	1,10,895	10	8
	December 14.	£ 1,845	0	0	„ 1/3½ . . .	28,003	2	7
1922	January 14.	£ 3,708	0	0	„ 1/3½ . . .	55,838	1	10
	February 9.	£ 860	0	0	„ 1/3½ . . .	13,183	3	9
	March 9.	£ 837	0	0	„ 1/3½ . . .	13,091	15	6
	May 11.	£ 1,464	0	0	„ 1/3½ . . .	22,442	2	5

101. The authorised capital is Rs. 40,00,000, paid up capital Rs. 30,00,000 all in ordinary shares.

102. There are no preference shares.

103. There are no deferred shares.

104. As no dividend has ever been paid, this does not apply.

105. Nil.

106. There are no debenture loans, but the Company has loans outstanding which on the 31st March last amounted to Rs. 26,36,342. Interest is as per reply No. 120.

107. There is no reserve fund.

108. As mentioned above, the Company's future policy depends on the deliberations of the Tariff Board and resulting legislation. The Company, has, however, under consideration one or two schemes for the extension of its plant to double the output. Such extension might cost Rs. 10,00,000 which, however, is only an approximate estimate.

IX. COST OF PRODUCTION.

(a) Works costs.

109. (Works Costs Forms.)

110. The Works costs were undoubtedly increased for a period from the commencement of manufacture owing to experimental work and the mill not having settled down to normal operation inseparable from the starting up of a new plant and process.

111. The costs of last year were abnormally high because the development of the production and the raw material is still in its infancy.

If the proprietors extended the plant owing to confidence in the future fiscal policy in India, costs would be considerably reduced, but we are unable at present to give an exact estimate.

112. While the summarised figures which we have already embodied in these replies give, we believe, all information necessary to the Board, we claim the privilege of withholding our detailed monthly cost sheets which might, if accidentally obtained, give very valuable information to competitors which we, as pioneers, have obtained at great expense.

113. We should have been in a position to comply with the Board's request had sufficient notice been given us to refer to Europe.

(b) *Overhead Charges.*

(i) *Depreciation.*

*The figures given in this Section must also be treated in strict confidence.**

114. The rates of depreciation allowed by the Income-tax authorities are as follows:—

	Per annum.
Buildings	2½ per cent.
Machinery	7½ per cent.

We consider these rates suitable.

115. Annual sum required for depreciation at Income-tax rates.

(a) on assets valued at cost, and

(b) if assets are taken at their value after deducting all depreciation written off to 31st March 1924 is as under:—

	(a)			(b)		
	Rs.	A.	P.	Rs.	A.	P.
Buildings	29,637	13	8	27,718	3	3
Machinery in continuous operation	2,12,143	11	0	1,82,045	13	6
Other Assets	4,848	13	6	3,914	13	0
	2,46,680	6	2	2,13,678	13	9

116. In view of our reply No. 99, this does not apply.

117. Our present output (half-year ending March 1924) incidence per ton of finished paper for depreciation is

	On full capacity.		
	Rs.	A.	P.
(i) as per 115 (a)	97	8	3
(ii) as per 115 (b)	84	10	10

118. Working capital required is Rs. 10,00,000 for both (i) and (ii).

119. The Company has had to borrow loans as mentioned in Reply No. 106.

120. The amount borrowed is as mentioned in Reply No. 106.

If capital has to be borrowed beyond a fixed limit, interest is payable at Bank Rate.

121. The Works cost of one month's output equals approximately 10·00 per cent. of our Working Capital.

122. The average value of stocks of finished goods held by the company varies according to market conditions and according to the class of goods sold.

Confidentially, we should say that the average value of finished goods held by ourselves and our agents is about 3½ lakhs.

* This stipulation was subsequently withdrawn.—See oral evidence.

The trade terms provide for cash payment and credit of from 45 to as much as 90 days in some cases.

123. It is necessary to hold good supplies of coal and raw material.

	Rs.
The average value of coal stock is	10,000
The average value of bamboo is	2,00,000

III. AGENTS' COMMISSION AND HEAD OFFICE EXPENSES.

*These figures must be treated in strict confidence.**

124. The Company's Head Office is in Calcutta under the control of its secretaries, Messrs. Andrew Yule & Co., Ltd.

125. (i) Annual amount of head office expenses is Rs. 42,334. The Secretaries are allowed Rs. 1,000 per month for office expenses, which, however, they have never charged.

(ii) The Secretaries have never charged commission. The amount above-mentioned is the bare expenditure actually incurred.

126. See Reply No. 125. If commission was paid, it would be 2 per cent. on nett sell-proceeds.

127. The cost per ton of finished paper, 31st March half-year of Head Office expenses is—

	Rs.	A.	P.
Actual output	16	8	1
Full capacity	14	11	0

X. MANUFACTURER'S PROFITS.

*These figures must also be treated in strict confidence.**

128. We consider 10 per cent. a fair return on Ordinary Shares.

129. Without a protective duty it would be impossible at the present time to raise either the preference or ordinary capital for a paper mill. If, however, a protective duty was imposed on both paper and pulp and guaranteed for, say, 10 years, we think that funds might be obtainable at (a) 8 per cent. free of tax for preference shares and (b) 6½ per cent. for debentures. Provided the industry had been making good profits in the past, these rates might be shaded to, say, (a) 7 per cent. and (b) 6 per cent.

130. 15 per cent.

131. If interest on loans were paid on the present basis and also a 10 per cent. gross dividend on the present paid up capital, the increased cost per ton of paper on present output would be Rs. 118-9-5, or Rs. 104-2-8 on full capacity.

If present loans were converted into capital and a 10 per cent. gross dividend paid, the increased cost per ton would be Rs. 160-14-10 on present output or Rs. 141-5-8 on full capacity.

XI. CLAIM FOR PROTECTION.

Our replies to this section unless otherwise stated refer to both the pulp and Paper industries

132. Yes, we consider our industry particularly comes within the conditions laid down in paragraphs 97 and 98 of the Fiscal Commission's Report as being worthy of assistance and protection, especially in its early years.

* This stipulation was subsequently withdrawn.—See oral evidence.

We further consider that this particular form of pulp and paper manufacture from Bamboo to be what the Fiscal Commission had in mind when drafting the paragraphs referred to.

Furthermore, the whole question of the manufacture of pulp from bamboo has for years been directly suggested and encouraged by the Indian Government and our industry was established on this assumption.

(a) The industry possesses an abundant supply of raw materials for the manufacture of pulp and consequently paper, cheaper power in the shape of cheaper coal than is obtainable in most foreign markets, an ample supply of labour and a large home market. The development of the pulp trade from bamboo will develop the country's natural resources in a new direction, supply additional revenue and give large indirect employment.

(b) The Indian market is flooded both with pulp and paper, in many instances at dump prices which maintains the necessary high output of foreign mills without which their costs increase. In the face of this unfair competition, Indian pulp and paper manufacturers find it impossible to maintain or develop their market although all resources are available to make the industries entirely Indian. Without the help of protection, it is most unlikely that the industry will develop to any great extent and may be stifled and in support of this we draw the Board's attention to the history of the paper industry in the past. It is true that bamboo has not been developed as a source of supply, but such development is unlikely to take place unless the industry is protected.

The deliberations of the Tariff Commission are being watched with great attention by financial interests associated with the paper and pulp trades and it may be that the result will decide the question as to whether India is to become one of the great pulp and paper producing countries of the world, or whether, as raw supplies recede in North America and Europe, the supplies replacing them will come from elsewhere.

India is the first country in which the results of experiments in the manufacture of bamboo have been put into commercial practice.

There are other countries very suitable to the development of the manufacture of pulp and paper from bamboo and in the event of encouragement not being given in this country, it is quite possible to conceive a time coming when India might import pulp and paper made from bamboo from abroad to the development of other countries' natural resources and the detriment of her own.

(c) Yes, we fully anticipate that, if adequate protection be given, the industry will develop rapidly.

Such development will increase the production of the raw material, develop its cultivation and collection in suitable situations and so reduce its cost.

Adequate protection will further stimulate the industry. Factories will tend to be increased to the most economical size and to be established near the large markets to which at present considerable freights have to be paid by foreign paper.

Such encouragement will be given to the Bamboo Industry that as a result of such increased attention, economies and improvements in manufacture are sure to result.

133. (a) Yes, large scale output will undoubtedly effect economies both in the actual manufacture of paper and pulp, and also in the supervision and distributing organization.

Furthermore, we believe that large scale output will, by stimulating the growing and collection of the raw material, reduce its prices.

Bamboo appears to be a profitable crop requiring very little cultivation and which can utilise much land which is at present of slight value, and it is probable that its production will increase more than proportionately to its consumption.

(b) The whole needs of the country could be supplied by home production. See 136.

134. Emphatically yes.

The paper and pulp industries are certainly of importance on national grounds. The paper industry by itself we do not consider of supreme national importance until co-related with the pulp industry. Should the paper industry in this country, even if large enough to supply the nation's needs, be built up without a corresponding pulp industry, there is less reason for protection on national grounds, because if, in an emergency, the country was cut off from its source of supply of primary raw material, then the paper mills would automatically have to shut or reduce output. If an industry is to be built up to be a national asset in case of emergency, then the first essential is that it should be a nationally self-contained unit quite independent of outside supplies of primary raw materials. The pulp industry is the first essential and if scope is given for the establishment of the pulp industry, the paper industry will automatically follow. We certainly consider that any country which has any importance as a nation should have an independent source of paper supply. It is difficult to imagine the state of a civilised country should its paper supply be entirely cut off and the pulp industry is the first essential of an independent paper supply. We might put it that the pulp industry is an essential key industry, and given the establishment of pulp industry, paper is bound to follow. To develop a paper industry without a corresponding pulp industry is to build on sand. The importance of paper increases step by step with the advance of civilization and the spread of education.

135. Yes, the supply of raw materials and cheap power and a large home market, also the presence of large Magnesite deposits in the country. The latter are now only worked on a small scale near Madras, but our industry would help their development.

Their future above all others which renders the establishment of the pulp and paper industry in India peculiarly suitable is the enormous and practically inexhaustible supply of raw materials in the form of bamboo, which, if developed is available at an economic price. The world's resources of pulp wood and other primary raw materials are rapidly diminishing, and reafforestation is a matter of years, whereas India's tropical climatic condition can reproduce paper-making fibrous growth in 3 or 4 years. The paper industry is constantly on the look out for new resources of suitable raw materials. The two materials which are being particularly experimented with at the moment and on which hopes for the future are being built are bamboo and straw. The manufacture of paper and pulp from bamboo is past the experimental stage now, and as it is an infinitely superior fibre to straw, with reasonable support in the early stages of the industry, there is no reason why bamboo pulp should not in the course of a very few years supply a great proportion of the world's demand for paper pulp. The raw material is there, and it only requires a little assistance to overcome the initial difficulties inherent in the starting of a new and highly technical industry in the East.

136. With the development of the paper trade in India along the lines upon which we have started, we believe it possible that in the not very distant future, Indian production will be able to compete with all kinds of imported paper. We are strongly of the opinion that to impose a duty exempting certain kinds of paper will be to confine the development of paper trade to certain narrow channels and to prevent its spread over the broad fields which it may very well otherwise occupy. Furthermore, for practical reasons, we consider that duty excluding certain kinds of paper will be impossible to administer satisfactorily on account of the practical difficulty in distinguishing the various qualities, especially when there will be every inducement for the shippers to try and evade the customs duty. Also if some of the cheapest forms of paper were excluded, the difference in price between these papers free of duty, and the better classes of paper

might become so accentuated that very poor qualities of paper might be used to replace better grades to the detriment of the main lines manufactured by Indian Mills. It is often false economy to use cheap papers of this kind. The presence of mechanical wood pulp in a paper renders the conditions for gradual decay and ultimate disintegration more favourable. Many buyers find it difficult to differentiate by a look between a wood free paper and a mechanical wood paper and the inclusion of the latter in any protective duty would tend to protect such buyers against deception from inferior qualities. The duty should certainly be imposed on all grades of pulp as well as paper, as there is no quality of imported pulp which will not compete with the Indian product.

137. (a) and especially (b) are undoubtedly serious menaces, especially as we understand that Germany proposes to make great efforts to re-establish a cheap paper in the Indian market, and while we can adduce no actual proof, we believe that freights will be subsidized to help her depreciated exchange to this end.

We can think of no satisfactory way of safe-guarding underselling by reason either of depreciated exchange or subsidized freights except by suggesting that power be given to allow the Tariff Valuation to be altered from time to time to meet and combat such emergencies.

138. (a) The existing customs duty is 15 per cent.

(b) We are not in a position to answer this question except as regards landing charges which are Rs. 2-8-0 per ton.

We believe that there are in many cases substantial rebates or subsidies over and above the quoted rates of freight. Quotations are invariably made and business transacted on a c.i.f. Indian port basis.

139 and 141. We consider that a protective duty should be imposed immediately on both paper and pulp simultaneously and that a similar rate of duty on each is desirable. The protection of pulp as well as paper is a necessity, as the former is a manufactured article and all manufacturing difficulties are connected with pulp production. The manufacture of paper from pulp is a comparatively simple and well-known process. We also believe that the minimum duty which can protect the industry against:—

1. dumping paper and pulp in India at below the cost of production by foreign mills in order to remove their surplus stocks and so maintain the prices in their home markets;
2. depreciated exchanges;
3. subsidized freights;
4. the disadvantages that the Indian Mills suffer owing to their higher cost of machinery, chemicals and consumable stores;

is 25 per cent. based on Indian market rates on both paper and pulp.

This duty should be imposed simultaneously, and it is probable that the pulp industry being a newer one than the paper trade (apart from bamboo) is most in need of this protection, and of having it quickly.

We do not believe in any delay in imposing the duty on pulp, as this would appear to have obvious disadvantages:—

1. It would place the industries which manufacture direct from the raw material at a disadvantage as compared with mills which produce largely from imported pulp.
2. The pulp industry is one which directly develops the country's resources, and any delay in the imposition of the duty on pulp delays development of the country, along with that of the industry.
3. If the duty on pulp be delayed, this country will in the meantime be flooded with imported pulp. In addition to large supplies which the consumers will probably buy, dealers will stock large

quantities and gain for themselves the benefit of those duties which would otherwise go to the Government.

4. The industries which largely consume pulp are the older paper mills, which have accumulated large reserves during the years of prosperity. The young industries which are most in need of protection are the ones which require duty on pulp.

Bamboo pulp and paper manufacture is an infant industry and has never had the benefit of good times to put it on its feet, and therefore, has a much stronger claim on Government for help than certain other industries which were in a position to accumulate large reserves during the "boom" years.

However, to meet the wishes of those who use pulp to a considerable extent and consequently desire to delay the imposition of this duty, we would not object, if the Board, while imposing both duties simultaneously, were to reduce the pulp duty to 20 per cent.

We would, however, strongly oppose the reduction of the duty below 25 per cent. for paper and 20 per cent. for pulp or the non-imposition of the latter at once. Except for this question of date of imposition of duty, we do not think there can be any conflict between the claims of paper and pulp. As the pulp industry would tend to develop the country more than the paper trade, the pulp duty appears to us to be more important from the national point of view.

We recommend these rates of duty because we believe that they are the minimum that can enable the pulp and paper industries to compete in the future with the imported articles and so enable them to establish and develop themselves. At the same time, we do not believe the rates sufficient to cause serious hardship even to the largest or the poorest consumers of paper or pulp.

As explained in Reply No. 70, we believe that the main reason for present importations of pulp is to be found in its cheapness as compared with the cost of manufacture in this country. The quantity imported has increased since 1919-20 (this being the first year for which the figures are available), as shown below :—

	Cwts.
1919-20	110,692
1920-21	188,799
1921-22	191,821
1922-23	180,244

In the few years previous to 1919, we understand no pulp was imported, yet we believe that Mills were able to work to their full capacity using grass only.

From imported pulp, they are able to produce better qualities of paper than we believe is possible from grass alone. The absence of a duty on pulp has therefore already interfered with the development of the resources of this country, and in our opinion, any delay in the imposition of a protective duty can only result in delaying the country's development, especially the cultivation of bamboo which we believe is the only indigenous fibre capable of successfully manufacturing the higher grades of paper.

If a protective duty is imposed on pulp, we are of the opinion that the local mills will be able to immediately increase their production of paper from indigenous materials to the capacity obtained during the war, when we believe it was impossible to obtain imported pulp.

140. We believe that if the paper trade had in the past devoted the amount of attention to the use of bamboo which has been devoted to other materials, the paper industry might be in less need of protection to-day than it is. If, however, the paper trade industry had been adequately protected in the past, we believe that plants would have been so developed and up to date researches in bamboo as a raw material would have been so encouraged.

that in the case of the old factories they would have been able to compete on level terms to-day with imported paper in fair competition.

We would like to emphasize that the paper industry in India from bamboo is only in its second year, and is at present only represented by the India Paper Pulp Co., Ltd., whose factory was built at the time of high prices and who has had no opportunity of accumulating profits.

FORM I.

Statement showing the total Works Costs expenditure incurred on the production of paper during 1923-24.

	Rs.
1. Primary raw material	2,44,098
2. Purchased pulp	98,314
3. Auxiliary raw materials	2,90,195
4. Mill labour	1,60,913
5. Power and fuel	1,37,922
6. Ordinary current repairs and maintenance of buildings, plant and machinery	1,00,718
7. General services, supervision and local office charges	48,510
8. Miscellaneous	51,184
9. Freight	49,967
	<hr/> 11,81,821 <hr/>

Total production of paper for the year 2,435 tons.

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FORM II.

Statement showing the Works cost per ton of unbleached pulp for 1923-24.

	Rs.
1. Primary raw materials	110.45
2. Auxiliary raw materials	55.93
3. Mill labour	36.40
4. Power and fuel	31.17
5. Ordinary current repairs, etc.	12.76
6. General services, etc. (supervision)	10.97
7. Miscellaneous	7.34
8. Nil. . . . .	...
	<hr/> 265.02 <hr/>

Total production of unbleached pulp for the year 2,210 tons.

FORM III.

Statement showing the Works Cost per ton of bleached pulp for 1923-24.

	Rs.
1. Manufactured unbleached pulp	239.65
2. Purchased unbleached pulp	40.23
3. Auxiliary raw materials	33.15
4. Mill labour	3.29
5. Power and fuel	5.64
6. Current repairs, etc.	2.47
7. Supervision, etc. . . . .	.99
8. Miscellaneous	1.33
9. Nil. . . . .	..
TOTAL	326.75

Total production of bleached pulp for the year 2,444 tons.

FORM IV.

Statement showing the Works Cost per ton of finished paper for 1923-24.

	Rs.
I. Manufactured bleached pulp	327.95
II. Purchased bleached pulp . . . . .	...
III. Auxiliary raw materials	35.13
IV. Mill labour	29.73
V. Power and fuel	22.65
VI. Current repairs, etc.	27.31
VII. Supervision, etc.	8.96
VIII. Miscellaneous	5.33
	457.06 f.o.r. Mill.
IX. Freight, etc.	28.21
	485.27

Total production 2,435 tons.

AGREEMENTS.

(1)

AN AGREEMENT dated the 12th August 1920 One thousand nine hundred and twenty made BETWEEN THE SECRETARY OF STATE FOR INDIA IN COUNCIL (hereinafter called "the Secretary of State") of the one part and THE INDIA PAPER PULP COMPANY, LIMITED, having its registered office at 8, Clive Row, Calcutta (hereinafter called "the Lessees" which expression where the context so admits or implies shall include its successors and assigns) of the other part.

1. The Secretary of State hereby grants to the lessees liberty to enter upon the Kasalong Reserved Forest situated in the Chittagong Hill Tracts Forest Division and to cut and remove therefrom bamboos of all kinds with the exception of *Teinostachyum Dullooa* commonly called Daloo, such bamboos to be crushed and prepared at a factory or factories at Chittagong, the site of which shall hereafter be determined by mutual agreement between the Conservator of Forests, Bengal, and the lessees.

2. GOVERNMENT may cut and remove all bamboos that may be required by Government for civil or military purposes or for the requirements of the Public Works or Forest Department and the lessees shall not in any way interfere with the servants of Government engaged in the work of cutting and removing such bamboos.

3. The lessees shall work through the area regularly and systematically in such manner and on such rotation which shall not be less than three years as shall be approved by the Conservator of Forests, Bengal, and shall remove all butts and tops as well as the central portions of the culms of the bamboos.

4. The lessees shall not hinder or prevent any person or persons holding permits duly issued by the Forest Department authorizing them to cut *Teinostachyum Dullooa* bamboos in the area subject to this agreement.

5. The Conservator of Forests, Bengal, if in his opinion the requirements for bamboos of the inhabitants of the area served by the Kasalong and the Karnafuli rivers from Mainimukh to Rhyukhyong Mukh cannot be fully satisfied by other sources of supply, shall have the power to arrange for the removal of a number sufficient for this purpose out of the Kasalong Reserve, and the lessees shall give the holders of permits given under this clause full facilities for the cutting and removal of bamboos.

In the event of Daloo bamboos flowering during the period of this license the Conservator of Forests, Bengal, shall have power to arrange for the removal of such number of bamboos of any other species as may be in his opinion required for the purpose of floating timber provided that this quantity shall not exceed the average amount of Daloo bamboo extracted by local consumers during the previous five years.

The Conservator of Forests, Bengal, will be at liberty to prohibit the sale to the Company of bamboos from areas in the district of Chittagong and the Chittagong Hill Tracts (other than the Kasalong Reserve) should there be at any time during the period of the lease an insufficient supply of bamboos for the domestic requirements of the people of these Districts.

6. The lessees shall not cut or remove any timber from the said Reserve except as provided in clause 12 hereof.

7. The lessees shall pay royalty at the following rates:—

Nil for two years commencing from first January One thousand nine hundred and twenty;

From first January One thousand nine hundred and twenty-two to thirty-first December One thousand nine hundred and thirty-one
Rupee one per ton of crushed and baled bamboo leaving crushing

mills and Rupees two per ton for the remaining years of the license provided that in the event of the said royalty payable under this clause being less in any year from One thousand nine hundred and twenty-two to One thousand nine hundred and thirty-one inclusive than Rupees ten thousand the lessees shall pay such sums as will with the royalty paid on bamboos actually crushed and baled during such year, make up the sum of Rupees ten thousand and so during the years from One thousand nine hundred and thirty-two to One thousand nine hundred and forty-one inclusive, except that the minimum royalty shall be rupees fifteen thousand. In the event of the flowering of any specie of bamboo in the said Reserve in any year the provisions of the proviso shall not apply.

8. The lessees shall commence work before first January One thousand nine hundred and twenty-one and shall on or before that date erect and supply all necessary machinery and plant to the satisfaction of the Conservator of Forests, Bengal, and in the event of their failing so to do the Secretary of State may without prejudice to any other right or remedy hereunder forthwith by notice in writing to the lessees determine this agreement.

9. The lessees shall collect the bamboos cut from the Reserve at such checking station outside the boundaries of the Reserve as the said Conservator of Forests shall approve, where the bamboos will be enumerated and the number and species entered in a challan by a Forest Officer in the presence of an officer of the lessees. If they shall so require on production of this challan, free passing down of the rafts by the checking stations on the way will be sanctioned. At the crushing mill the rafts will be checked with the challan by a Forest Officer in the presence of an officer of the lessees. The royalty on any bamboos lost in transit or not forthcoming at the final checking station shall be forthwith paid by the lessees on demand at the prevailing scheduled rate. In the event of the lessees bringing to the mill bamboos not extracted by them but purchased in the open market they shall be entitled to claim rebate of royalty at the prevailing schedule rates on such bamboos. The lessees shall not before payment of the royalty mentioned in paragraph 7 sell any bamboos or otherwise dispose of them, except by using them in the crushing mill.

10. The lessees shall provide every person employed by them in cutting, collection and transport of bamboo with a suitable badge for the purpose of identification.

11. The lessees shall abide by and observe the forest rules in force for the time being in the said Reserve and should there be any neglect of the said rules by the lessees or by any of their employees the Divisional Forest Officer shall have power in case of urgent necessity at once to suspend during such time as he shall think fit the work of the lessees or their employees in any such locality.

12. The lessees shall be entitled to procure from the said reserve such building stone, timber and other forest produce as they may require for the purposes of this concession on payment of half the royalty in force for the time being as embodied in the published schedule of rates of the Chittagong Hill Tracts Division. All trees required by the lessees shall be first approved and marked by a Forest Officer and the lessees shall not fell any tree which is not so marked.

13. The lessees shall be allowed the free use of water from any streams within the Reserved Forests with the previous consent in writing of the Conservator of Forests, Bengal, provided that the use thereof shall not in the opinion of the Conservator at any time be prejudicial to any pre-established rights of any village, or of any other persons and provided that the water habitually used by such persons shall not be polluted and that due precautions be taken by the lessees to the satisfaction of the said Conservator to prevent any water in any way being polluted by their machinery or by the crushing of the bamboos and provided that the lessees shall make all such dams, tanks, water-channels and the like as shall in the opinion of the Divisional Forest Officer be

necessary for the carrying out of their work in a secure and proper manner and so as to minimize the risk of their causing landslip, floods, or soil erosion, and that if in the opinion of the Divisional Forest Officer all proper precautions are not at any time being taken to effect any or all of the said purposes, the Divisional Forest Officer may prohibit the use of such water by the lessees until such precautions have been taken.

Provided that nothing contained in this clause shall permit the lessees to do any act specified in sub-section (b) of section 76 of the Bengal Embankment Act, 1882 (Bengal Act II of 1882), without the previous permission of the Superintendent of the Chittagong Hill Tracts.

14. The lessees shall not erect any building *nor* clear sites for buildings or other purposes inside the Reserved Forest without the previous consent in writing of the Conservator of Forests. For all such ground as shall be made available for clearing for building and other purposes, ground rent at the rate of Rupees Five per acre per year shall be paid in advance.

15. SUBJECT as hereinafter mentioned this agreement shall continue in force for a period of twenty-one years from first January One thousand nine hundred and twenty to thirty-first December One thousand nine hundred and forty-one.

16. The lessees may terminate this agreement at any time before the expiry of the said period by giving notice to that effect in writing to the said Conservator on or before the first day of the year previous to the year in which they desire so to terminate this agreement.

17. In the event of the lessees failing to comply with any of the terms of this agreement as to which the opinion of the said Conservator shall be absolutely final and conclusive or in the event of the lessees becoming insolvent or going into liquidation (except for purposes of reconstruction), it shall be lawful for the Secretary of State by notice in writing to the lessees under the hand of the Secretary to the Government of Bengal in the Revenue Department, and notwithstanding any previous breach to terminate this agreement at any time without prejudice to any other right or remedy of the Secretary of State hereunder.

18. In the event of this agreement being terminated under clause 16 or on the expiry of this agreement on the thirty-first December One thousand nine hundred and forty-one, the lessees shall be entitled to remove within the next succeeding six months all machinery and other stores, tools and plant and pulp or other forest produce on which royalty has been paid in full.

The lessees shall also be entitled to remove within the same period such timber and forest produce obtained under clause 12 of this agreement at half the scheduled rates on payment of the balance required to make up with the sums already paid the full scheduled rates then in force. On the expiry of the said period of six months, it shall be lawful for the Secretary of State to appropriate such machinery, stores, tools and plant, buildings, timber and firewood, as may remain in the said area without payment of any compensation to the lessees, and such machinery and other things shall become the property of the Secretary of State.

19. In the event of this agreement being terminated under clause 17, it shall be lawful for the Secretary of State to appropriate such machinery, stores and plant, buildings, pulp and other forest produce as may, in his opinion, be necessary to cover all loss and damage incurred by him and to dispose of the same as his own property.

20. In the event of the lessees wishing to continue working for a further period after the lapse of the twenty-one years specified in clause 15 above, they shall be given preference to do so under such terms as may then be determined by mutual agreement of both parties.

21. The rights of the lessees under this agreement may be assigned by the lessees to any Company registered in India, the capital of which is offered for subscription in India, provided always that the company is not a foreign-controlled Company as defined in the Government of India's Notification No.

11917, dated the sixth October One thousand nine hundred and seventeen, and provided also that such assignment shall be registered with the Conservator of Forests, Bengal.

22. In the event of any dispute arising with regard to the terms of these presents or the construction or meaning thereof, or of any part thereof, or as to the performance of any act thereby required to be done, or as to any other matter or thing in connection therewith where not otherwise provided for, the decision of the Governor of Bengal in Council upon the matter of such dispute shall be final and binding upon the parties thereto.

AS WITNESS the hand of Malcolm Caird McAlpin acting for and on behalf of the Secretary of State and the common seal of the Company the day and year first above written.

Witness to the signature of Malcolm Caird McAlpin, Secretary to the Government of Bengal in the Revenue Department for and on behalf of his Excellency the Governor of Bengal in Council, acting in the premises for and on behalf of the Secretary of State for India in Council in the presence of—

M. C. McALPIN,

Secretary to the Government of Bengal, Revenue Department.

T. K. GHOSH,

Confidential Assistant to the Secretary to the Government of Bengal, Revenue Department.

The common seal of the above-named India Paper Pulp Company, Limited, was hereto affixed and these presents signed by Thomas Sivewright Catto, Managing Director of Andrew Yule & Co., Ltd., the Secretaries of the Company in the presence of—

R. F. T. HOG,

Assistant, Andrew Yule & Co. Ltd., 8, Clive Row, Calcutta.

RAMSASE ROY,

Mercantile Assistant, 8, Clive Row, Calcutta.

T. S. CATTO.

Common
Seal.

(2)

AN AGREEMENT dated the 20th day of July One thousand nine hundred and twenty-one made between THE SECRETARY OF STATE FOR INDIA IN COUNCIL (hereinafter called "the Secretary of State") of the one part and THE INDIA PAPER PULP COMPANY, LIMITED having its registered office at 8, Clive Row, Calcutta (hereinafter called "the Lessees", which expression where the context so admits or implies shall include its successors and assigns) of the other part WHEREBY IT IS AGREED that the following clause shall be substituted for clause 16 of the within written agreement dated

One Thousand nine hundred and twenty:—

"16. The lessees may terminate this agreement at any time before the expiry of the said period by giving twelve calendar months' notice to that effect in writing to the said Conservator".

And the within written agreement shall be read and construed accordingly.

IN WITNESS whereof the vendors have hereunto set and affixed their respective hands and seals and the Company has caused its common seal to be hereunto affixed the day and year first above written.

SIGNED SEALED AND DELIVERED
by the abovenamed William Stenning
Hopkins in the presence of—

A. A. LATY,
*Assistant Secretary to the Government of
Bengal, Revenue Department.*

26th July 1921.

W. S. HOPKINS,
*Secretary to the Government of
Bengal.*

The common seal of the abovenamed The
India Paper Pulp Company, Limited, has
hereunto been affixed by the direction and
in the presence of Thomas Sivewright
Catto, Managing Director, Andrew Yule
& Co., Ltd., The Secretaries of the said
Company who has hereunto set his hands
and these presents have been counter-
signed by the said Thomas Sivewright
Catto in the presence of—

R. F. T. HOG,
*Assistant, Andrew Yule & Co. Ltd., 8, Clive
Row, Calcutta.*

RAMSASE ROY,
8, Clive Row, Calcutta.

T. S. CATTO.

Common
Seal.



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Statement IV.—Letter, dated 31st July 1924, submitted by the India Paper Pulp Company, Limited.

When our representative was appearing before the Tariff Board, the President referred to a circular that Messrs. John Dickinson and Company, Limited, had circulated to many of the paper dealers for the purpose apparently of organising and fomenting an opposition to the application for protection of the paper manufacturing industry.

He kindly offered us the alternatives of replying verbally or by letter to this circular, and we are herewith accepting the latter.

In reply to No. 1, we infer from this paragraph that Messrs. John Dickinson and Company, Limited, are not opposed to protection, but that they suggest, as an alternative to the usual rotation, that Technical Paper and Pulp Manufacturing Schools should be set up for young Indians before any encouragement is given to the industry itself. We cannot believe that they are serious in this suggestion, and a little consideration will, we think, show them its impracticability.

2. The statement that "Paper is the cheapest manufactured commodity" is at least open to argument.

For the rest, Messrs. John Dickinson and Company give a general list of conditions which they consider essential to successful paper manufacture. As, however, they do not suggest whether Indian conditions comply with their list or not, they adduce no argument either for or against protection. They name, however, "Proximity to market" as one essential to success. This being so, we cannot understand why Messrs. John Dickinson and Company occupy themselves with a market which is about 7,000 miles away from all their sources of supply.

3. If correct, the second paragraph implies that the price of imported paper is 25 per cent. below that of locally produced paper. Such a wide difference appears to support our contention regarding dumping from foreign countries against which we ask protection sufficient to discourage such policy.

4. Surely this argument is all in favour of protection which would presumably encourage factories to be set up near the various sources of raw materials and in closer proximity to the various centres of consumption and so tend to reduce the "magnificent distances" which in the case of the goods which Messrs. John Dickinson and Company handle cannot be less than 6,000 miles.

5 and 6. Protection as asked for will not increase the expenses of schools and educational requisites to a degree which will hinder their development and consumption in the slightest.

Regarding the rigid economy being exercised in Government Offices, we do not believe this has anything to do with the price of paper or that a reduction in prices would be a sufficient reason for Government relaxing such economy.

7. We believe that the cost of paper is a relatively small proportion of the cost of administration of a newspaper. At the same time, we have expressed our willingness to agree to the importation of newsprint for newspapers at a reduced duty. Newspapers' importations should be fully protected by license.

There are, we believe, a number of Indian newspapers which continue to flourish in spite of using Indian made paper.

8. Our mill can manufacture any grade paper, for which there is a good demand of as good quality as Messrs. John Dickinson and Company can import, and other Indian mills can manufacture all the cheapest papers excepting mechanical paper which is used almost entirely for newsprint.

We would request that the Controller of Printing, Stationery and Stamps be asked if there is any quality of paper of which he uses a good

quality which either we or one of the Indian mills cannot manufacture to his satisfaction. We can show special books recently published by the Government printed by their Press Superintendent on our paper. Some of these books were formerly printed on imported paper.

9. We believe that with protection the Indian mills will increase much faster than the demand.

10 and 11. We are of opinion that the increase in the cost of paper would have no effect on the cases mentioned.

12. First paragraph. This is surely a matter for the Board to decide.

13. We do not think that the first two paragraphs are of the sort that will carry much weight with the Board, but we believe that the Managing Agents of the largest mill in the country are *not* remunerated on output. If the author does not make sure of the facts on such an important matter, it will at the least detract heavily from the weight of his other assertions.

14. As stated Indian manufactured paper as a rule commands slightly higher prices than imported.

"Job Lots" are unfortunately present in every mill's manufacture. We are willing to provide figures to show that ours are not abnormal.

15. Third paragraph. It would be interesting to know whence Messrs. John Dickinson and Company get their information which is quite contrary to any that has come our way.

16, 17 and 18. Messrs. John Dickinson and Company allude, we notice, to British importation. A large proportion of their imports are from late enemy countries such as Germany and Austria.

Reading No. 16 in conjunction with No. 2, Messrs. John Dickinson and Company appear to suggest that conditions in India are most suitable for paper manufacture and that therefore the industry is worthy of protection.

They state, however, that "lack of foresight," "knowledge of the market, etc.," are the loads which are stopping the development of Indian paper factories.

Then they state that about half a dozen British concerns have recently had to shut down.

Messrs. John Dickinson and Company in their No. 13 imply that Indian mills are still manufacturing to full capacity. This surely rather confuses their argument.

We await with much interest the further information promised by Messrs. John Dickinson and Company in August.

Statement V.—Statement showing estimated costs of the India Paper Pulp Company during the season 1923-24.

	Rs.	A.	P.	
Cutters	15	0	0	per ton.
Rafting to Jaitpura	2	8	0	" "
Dubash-Crushing and Despatch	9	0	0	
Boating to Jetty	2	8	4	
Landing charge	2	4	0	
Railway freight to Naihati	8	7	0	
Siding charge	0	1	9	
	39	13	1	

Overhead charges including royalty and rent . Say Rs. 44,000.

Statement VI.—A note regarding the Kasalong Reserve submitted by the India Paper Pulp Company.

The Company commenced negotiations with the Government for this Bamboo Reserve concession late in 1918.

Early in 1919 one of the Company's representatives visited the Reserve and he was accompanied by Mr. R. S. Pearson, Forest Economist, and Mr. H. S. Gibson, Deputy Conservator of Forests.

The party proceeded some 60 or 70 miles into the heart of the forest and after choosing what was considered an average area, they carefully estimated the available tonnage per acre.

It was ascertained that the muli species was most common in the area. This species flowered in 1911-12 and so will not flower again for at least 30 years.

The labour question was considered and the party were of opinion that there was ample labour if properly handled and organized but organization was admitted to be difficult and the influence and power of the money-lenders in the district was noted.

The party considered the Kasalong had the following advantages:—

1. Ample local labour.
2. Excellent river for rafting to Chittagong throughout the year.
3. Bamboo stems are available on both sides of at least 150 miles of river exclusive of numerous small streams.
4. It is within easy reach of Calcutta.

The only disadvantage was that the cost of extraction per ton might be more for the first year or so than in Burma area, but freight costs would be less.

It was estimated that about 30,000 tons were rafted down each year and the area might therefore be safely calculated to supply sufficient bamboo for a pulp mill of considerable capacity.

The cost of extraction for muli was estimated at Rs. 14-7 per ton of air dry stems at Mainimukh. It was noted, however, that this figure might be exceeded for the first year or so until labour would be organized and native money-lenders abolished.

Particulars of extraction during 1916-17 and 1917-18 were given as under:—

	1916-17. Rs.	1917-18. Rs.
Muli	25,17,040	33,43,000
Orah	4,91,675	3,31,660
Dolu	10,48,200	13,61,240
Metinga	7,085	350
Kaliserri	50	50
	<hr/> 40,64,050	<hr/> 50,36,300

The average cost of all the species was estimated at Rs. 11-2 and an all round price of Re. 1 per ton for floating to Chittagong was added making the average cost of Rs. 12-2 per ton at Chittagong. These figures were stated to be undoubtedly high due to the small size which the muli had attained since it flowered in 1911-12.

With regard to labour, it was estimated that from 3 to 4 thousand hillmen and a thousand Chittagonians from the plains, entered the reserve annually to cut bamboos. The actual number of men cutting bamboos depended on the state of their crops: in good years they cut less, when the crops were low they were forced to cut more bamboo to earn their livelihood. The

Chakmar or hillman, when wishing to cut bamboo, first had to go to the money-lenders, who advanced him sufficient money for purchase of rice for himself and his family. When the bamboos were cut and extracted he sold the stems at Mainimukh to a dealer, who was often enough the man who had lent him the money.

To discharge his debt, he had to pay his money and 25 per cent. interest. However, when he sold the bamboos to the same man who financed him, he struck an extremely poor bargain.

The method by which the Chittagonian works is similar to that of the hillman, except that the rate of interest is somewhat below and he usually makes a trifle on the transaction.

The party were of the opinion that there could be no doubt that were a steady demand to arise, controlled under proper supervision, both the hillman and the Chittagonian would receive more adequate remuneration for their labour which would be a distinct inducement towards increasing the labour supply.

The Company was advised that for the first year or so, the best method of working would be through a local contractor, preferably through one of the Chakma Raja's relatives, which would result in labour forthcoming in large quantities. Later on, the Company might be able to work direct through local gangmen including a European to supervise the extraction work.

On the above information, the Company concluded the lease from the Government for the Kasalong Reserve, no royalty being payable for two years commencing from the 1st January 1920.

The Company commenced extraction late in 1919 and engaged Kumar Ramoni Mohan Roy (Chakma Raja's brother) for the work. As a result, about 400 tons bamboo only were received, the cost of which worked out at a very high figure per ton. This, however, was not altogether unexpected on account of its being the first season.

For the second season 1920-21, we engaged an influential contractor at Chittagong. We received about 900 tons and the cost worked out three times as much as the estimate calculated upon when the license was negotiated.

The cost per ton was greatly enhanced by the high rental the Company had to pay for storage accommodation of stems at Chittagong and it was not until late in 1922 that a suitable and economical site was obtained 14 miles upstream of Chittagong.

It will be noticed in the estimated cost that no provision was made for losses by flood. Such losses have proved far more serious than was anticipated and although every effort is made to recover stems so lost, the cost involved owing to long distances having to be covered to trace such losses, exceeds the value of the stems so lost.

After the first season, we endeavoured to obtain the services of a European Forest Officer and we applied to the Forest Department as we were unable to obtain any one with sufficient knowledge of this work. The Forest Department, however, was itself short of officers and was unable to lend us any assistance. For the third season 1921-22 we again employed the Chittagong Contractor, but the result did not show any improvement on previous seasons. Moreover, the power of the money-lenders over the Chakma cutters was found to be far greater than any one had hitherto imagined. They realised that the Company's work in the reserve was entirely against their vested interest, and while we can adduce no actual proof, we know that many hindrances which the Company has experienced in its work have undoubtedly had their origin from this source. The Company has all along endeavoured to emancipate the hillmen from the money-lenders in order that the hillmen should get a fairer percentage of the cost of extraction.

For the last season 1922-23 the Company engaged a European officer who succeeded in obtaining a very considerable increased tonnage and although the cost showed an improvement it was still above what the Company could

afford to pay. This officer unfortunately died in March 1923 at Chittagong from cholera. The experience he had gained on the Company's behalf therefore was as a result unfortunately lost.

Another officer was engaged for the season 1923-24 and succeeded in obtaining an approximate equal tonnage as the previous officer.

Statement VII.—Letter, dated 30th August 1924, submitted by the India Paper Pulp Company, Limited and endorsed by the Bengal Paper Mill Company, and the Titaghur Paper Mills Company Limited.

When the writer was giving evidence before you in Simla, we explained that while we would not oppose the exemption of newspapers from any increase of duty, yet we were afraid that if mechanical newsprint as a whole were exempted, the resulting further margin between its price and that of other papers might increase its consumption to a considerable extent and cause it to encroach on the market for other papers. That is to say, we apprehend that the wide difference would induce the market generally to order low quality mechanical wood papers in place of the usual qualities at present manufactured by Indian mills.

We then suggested that the paper required for newspaper productions might be exempted by license, but admitted in replying to the President that the subject bristled with difficulties and that we had been unable to find a really satisfactory solution.

Since giving evidence, we have again carefully considered the problem and discussed it with the members of the Indian Paper-makers' Association, whose interests on this point are identical with our own.

While we are still very doubtful as to what will be the effect, yet the question of exempting newspapers by license is so difficult that if the Tariff Board see their way to recommend a protective duty on paper, we are willing that mechanical newsprint should be exempted from an increase over its present duty, at any rate until such time as we can see what effect such differentiating may have on the paper trade generally.

The method of exempting mechanical papers from additional protective duty is difficult, especially when misdescription on an invoice might mean a large benefit to the concerned and when differences in quality will have to be so carefully scrutinised by the customs authorities.

One way of deciding the dividing line could be based on price. That is to say, that white papers whose market price was below a certain figure (to be fixed from time to time) on the market rate schedule, should be exempted from the additional duty, the intention being that the figure fixed would be sufficiently low to ensure that no paper containing a large percentage of chemical pulp could be imported at the price.

Another method, which we believe the Customs Department could work, would be to require all shipments of papers to be certified for mechanical wood contents. All papers containing less than a certain percentage of mechanical wood (which percentage would be fixed by the Board) would then be subject to the additional tariff rate for superior papers; and paper for newspapers and other purposes containing over this percentage would be assessed at the lower tariff.

We understand that the Customs Department have already an efficient laboratory organization for testing all kinds of imports, and would no doubt be able to undertake the work of testing paper also. We assume that on this system paper would be passed provisionally on these certificates and afterwards tested by the Customs Department for actual mechanical wood contents.

We leave this matter, however, in the hands of the Board who will be in a better position than we to make a decision after they have conferred with the Customs Authorities.

Statement VIII.—Copy of a letter, from the India Paper Pulp Company, Limited, Calcutta, dated 15th October 1924, to the Secretary, Tariff Board.

In continuation of the writer's oral evidence in Simla on July 4th and 5th, we have the honour to hand you answers to the subsidiary questions of the Tariff Board.

We regret that these have taken a considerable time to compile, but they have necessitated reference to England and several weeks' constant work on the figures leading up to them.

We have endeavoured to append full explanations to the tables of figures to show the Board, by what process of reasoning, we have arrived at our results.

In the case of tables of figures for foreign pulp and paper mills, it will, of course, be appreciated that no individual mill would care to have its figures published. The ones we show, however, were compiled from a series of actual cost sheets and the Board can take the figures as reliable. The paper mill figures are typical of mills situated in close proximity to collieries but at some distance from a main port, while the pulp statements represent fair average costs in Scandinavia.

Comparing the various sets of figures, the great advantage enjoyed by India in her raw material will be appreciated; an advantage which will increase as the slow growing forests of temperate zones retreat before the axe of the pulp maker.

It will be seen that in works costs, both in paper and pulp, Indian mills, even though working with imported chemicals, etc., are at no disadvantage as compared with the foreign examples we have shown.

It is only when we come to Interest and Depreciation charges that any large difference is felt.

These figures emphasise the great disadvantage of post-war plants as compared to those erected before 1914.

We understand that no new paper and probably no pulp plants have been erected in Scandinavia, England or Germany since the war and, therefore, it will be seen that on account of Depreciation and other Interest charges only, the post-war Indian mill, in competing with European mills, is at a disadvantage of about Rs. 100 per ton at exchange 1/4d. as regards paper and Rs. 34 per ton as regards pulp, entirely due to appreciation of costs of plant and erection since 1914 and to a lesser extent to the charges involved in importing machinery into India.

In all the figures we have given for Indian mills, we have allowed nothing for probable reduction of costs beyond what we believe we have actually in sight.

We think that the Board will agree with us that the statements given show great promise for the future of the pulp and paper industries in India and for the profitable development of the splendid natural resources of the country. Provided the industry be given support to establish itself and to enable mills to lay aside sufficient of their profits to bring depreciation and financial charges into line with those of home mills, not only should they be able to face the world's competition in favourably situated markets, but later on even invade the markets of the West.

Since the writer gave evidence before the Tariff Board in early July, one factor in the comparison between Indian and foreign manufacture has come into increased prominence.

We refer to exchange. At time of writing the value of the rupee in terms of sterling is about 1/6d.

This rate as compared with 1/4d. represents a disadvantage of about 12½ per cent. which is only offset to a very small extent by corresponding reduction in cost of a proportion of the imported auxiliary raw materials.

We wish to add to our claim for protection on paper of 25 per cent. on the market value, a claim for additional consideration if exchange rises substantially over $1/4d$. We suggest a further $1\frac{1}{2}$ per cent. import duty for each $\frac{3}{4}d$. that exchange rises over $1/4d$. as a fair allowance in addition to our original claim for protection, until such time as financial conditions throughout the world shall again have become stable.

Enclosure.

Answers to subsidiary questions for Tariff Board.

1. If hydro-electric power were very cheap it could be utilised for steam generation and form the whole basis of requirements for a pulp or paper mill; but this would only apply in rare cases as frequently the capital cost of impounding water makes the generation of electricity by its use not very much cheaper than power stations well situated for coal supply. With good facilities for a hydro-electric installation, however, electricity could certainly be substituted for the steam used for process work which would result in a reduction of about 50 per cent. in the coal consumed.

1A. Wood might be entirely used in place of coal if special combustion chambers were introduced in the steam boilers, but wood is less reliable owing to variation of calorific value and varying degree of moisture. The supply of waste wood of no commercial value would have to be very large and, in practice, a proportion of coal would probably be necessary.

2. The consumption of coal in preparing pulp by the sulphite process is less than for manufacturing soda pulp, and in the former there is no recovery process which in itself requires considerable additional fuel.

3. A leading British paper mill engineer personally conducted searching enquiries in India, and in our oral evidence we explained the reasons which led to our own choice of site. Ours being a new process for the tropics, it was considered imperative to establish it in proximity to an established industrial centre.

Now that all the initial difficulties have been overcome, a pulp mill could with confidence be placed near the source of supply, provided the same is reasonably accessible for supplies of fuel, etc., and has an ample supply of fresh water.

If, as we understand from local officials, an adequate supply of fresh water can be secured at Jaitpura, that position would be a very desirable site for a pulp mill retaining a paper mill, if desired, in its present position conveniently situated near its markets. The pulp mill would supply it with the manufactured pulp and at the same time would be in an advantageous position to export same, packed in a similar manner to that shipped from Scandinavia, etc.

For full details regarding comparison between Indian and Western conditions, we would refer the Board to Appendix II, and the explanatory notes given in support thereof. These constitute the best comparisons available, and in addition, they substantiate the opinion that a pulp mill placed at the site of extraction would, in this particular instance, be advantageous whether the finished product was exported or sold to mills in other parts of India, thus conforming to Western authorities and practice.

4. We have found it more convenient to answer the question in conjunction with No. 14A, and refer the Board to Appendices Nos. 1 and 2 and the subsidiary notes.

5. (1) We are informed that at the present time pulp is selling in the Far East at about £16-12-6 to £16-15 per ton. At these rates it would be necessary to put pulp f.o.r. an Indian port at approximately £15-15 per ton to compete. This allows £1-0-10 per ton freight, which in practice, however, might work out rather higher. Against this, however, we could give delivery in $3/4$ weeks less time than a Western competitor and apart

from the direct convenience to consumers, they would save approximately one month's interest on the purchase price. If, however, the information obtained by Messrs. F. W. Heilgers & Co., regarding pulp prices and published by the Board is correct (*vide* page 257 of the published evidence) it would appear that we might reasonably hope for better prices than those actually ruling at the moment, and we have shown elsewhere that pulp manufacturers selling their pulp to-day at the above quoted prices are making a loss. To sell at £15-15 per ton f.o.b. Chittagong the total cost, including interest on ordinary shares, would require to be Rs. 236-4 at exchange 1/4d., Rs. 222-6 at exchange 1/5d.

(2) As regards paper, we have been unable to obtain particulars of paper prices in the Far East, but at the present time foreign papers, chiefly German, are being freely landed in this country at about £30 per ton c.i.f. We think that if Indian paper could be placed f.o.b. at, say, £1 less per ton or £29, it would be able to compete to-day in many of the markets of the Southern Hemisphere.

6. We quote from a leading British Pulp Consumer :

"It is absolutely certain that the prices of pulp wood will go on advancing, the rate of the advance being determined by the speed at which normal conditions will return in the trading world."

Our London Agents write to us on 14th August 1924 :

"The American paper mills find it more economical at the moment to purchase Scandinavian pulp than to manufacture their own, and we understand that in some cases they have been closing their pulp mills until such time as they can obtain a better price for their pulp."

World's Paper Trade Review, February 22nd, page 639 (1924) :

"Bleached Sulphite is cheap, present prices being quite unremunerative."

World's Paper Trade Review, March 21st, 1924, page 960 :

Mr. G. W. Andrews of Messrs. Andrews & Co., Ltd., returning from a five weeks' visit to Canada and speaking of pulp mills there, said: 'I was told that there is scarcely a single mill occupied solely with the production of pulp which is not in the hands of a liquidator or a receiver or under some process of reconstruction.' "

World's Paper Trade Review, March 1924, page 982 :

"Prices have been pressed down by consumers to lower levels than manufacturers think justified in face of high manufacturing costs. This is specially the case as regards strong sulphite pulp."

(The above extract is found in the market reports section under the heading "Chemical Wood-Pulp.")

World's Paper Trade Review, May 2nd, 1924, page 1401.

"By the time it has been found possible to secure a slight increase in selling prices (this is with reference to paper) there will have been a corresponding advance in the cost of production, which will more than absorb the margin of difference in the selling rates. Wood pulp quotations are definitely hardening and coal prices which are already up to the tune of 12s. to 15s. per ton will take a further leap by the time the wages question is settled."

World's Paper Trade Review, May 23rd, 1924, page 1722:

"It is no exaggeration to assert that the Swedish Cellulose market has never had such a large turnover during two consecutive months' time as from the middle of January to the middle of March this year. About half of the normal yearly output has already been disposed of abroad."

"Prices are still unchanged and rather poor, but the market is getting noticeably firmer."

Same edition, page 1731:

"Both easy bleaching sulphite and mechanical pulp are in strong demand. With regard to prices, which have been moving steadily upwards, there is no sign of weakening and it is anticipated that this will now remain steady."

World's Paper Trade Review, July 4th, 1924, page 70:

"The Finnish Paper and Timber Journal writes as follows on the world's pulp markets:—

Finland.—Exporters can be sure that the already appreciable rising tendency in prices will hold good.

United States of America.—Large sales have been made earlier at lower prices, but there is now a rising tendency and future prospects are promising."

World's Paper Trade Review, May 23rd, 1924, page 1731:

"There is still dissatisfaction with the prices obtained for chemical pulp, it being suggested that most mills are running at a loss."

World's Paper Trade Review, June 27th, 1924, page 2114:

"The prices of sulphite pulp have not changed, but are still unsatisfactory for the manufacturers."

World's Paper Trade Review, July 4th, 1924, page 51:

"Sellers are looking forward to a time when prices can be stabilised on a basis which will leave manufacturers a reasonable profit."

Same edition, page 70:

"The past year's prices have not left any margin for profit."

The National City Bank of New York, discussing economical conditions in September 1924, says:

"In paper, pulp and paper products, 1,676 companies reported, of whom 730 had net incomes aggregating \$44,881,837, upon which they paid Federal Taxes aggregating \$7,584,062, while the remaining 946 companies reported losses aggregating \$49,178,592.

"Logging companies reported to the number of 364, of whom 138 reported profits aggregating \$2,816,401, and 226 reported losses aggregating \$6,666,787."

Mr. Franz Krawany, Director of the Paper Union of Vienna, has issued a brochure in which he has compiled statistics showing the productive capacity of the various paper-making countries in the world. The brochure may be obtained from the "Zentralblatt für die Ostr.-ungar. Papierindustrie" Wirt 1, Nibelungengasse 1, post free for one mark. We abstract the following statistical information from a notice of Mr. Krawany's work in the "Wochenblatt für Papierfabrikation":—

"The total annual production in the whole world amounts to 8 million tons. Of this quantity 55 per cent. is produced in Europe.

Germany accounts for 17 per cent. of the whole world's production, England 11 per cent., France 7 per cent., Austria-Hungary 5 per cent., Russia and Finland 3½ per cent., Sweden 3 per cent. and Norway 1½ per cent. Of the 43 per cent. to be credited to America, the United States produce nearly 40 per cent. and Canada nearly 3 per cent.

"The annual paper consumption per head of population in Europe is 10 kilogrammes (about 22½ lbs.). For England, the consumption is reckoned at 25 kilogrammes per head, Sweden 24 kilos, Finland 23½ kilos, Germany 19½ kilos, Norway 16 kilos, Switzerland 15 kilos, Holland 14½ kilos, France 14 kilos, Austria and Belgium 11 kilos, and so on downwards to Bosnia which consumes only ½ kilo per head of population. Canada has the greatest consumption per head of population in the whole world at 28½ kilos and the United States takes fourth place at 22½ kilos.

"The number of paper machines including Board machines is estimated at 9,109.

"Assuming that the population and the consumption of paper per head will increase during the next 10 years at the present rate, it is calculated that one thousand more paper-making machines will be at work at the end of that time and that the world's production will have increased by 25 per cent. Whether this calculated increase will be restricted by a deficiency of the raw material especial of wood remains to be seen.

"The world's production of mechanical wood pulp is roughly 3½ million tons, that of chemical wood pulp and straw pulp is 3¼ million tons."

We believe that present prices are unduly low owing to the depressed state of the pulp industry and that a reaction must come soon.

Over and above this normal reaction, we expect higher prices due to diminishing supplies of raw materials in the West. The whole trend of expert opinion appears to be quite unanimous that prices are below an economic level and must advance materially, and we think that this opinion is fully illustrated by the authorities we have quoted.

We also enclose Journal (which we shall be glad if the Board will return) containing articles commenting on the alarming rate of consumption of wood in proportion to the productive capacity of the available forest areas.

7. (This is answered in conjunction with Question No. 16 for the sake of convenience.)

	Original cost.	Estimated replacement cost of similar mill, present prices with ex. 1/5d.
	Rs.	Rs.
Patent Rights	3,80,000	3,80,000
Land, etc.	1,18,438	1,00,000
Buildings	11,87,479	10,39,705
Plant and machinery	28,28,582	20,37,654*
Miscellaneous (including siding)	1,52,004	1,00,000
TOTAL	46,66,503	36,57,359

* In the case of this item, no allowance has been made for interest on capital during the period of erection.

8. The following are our Works costs figures for the year 1923-24 arranged under the heading of Form IV of the Board's original questionnaire, but with primary raw materials substituted for manufactured bleached pulp.

		Rs.
1. Primary raw materials—		
(a) Bamboo	100.25	
(b) Imported Pulp	40.37	140.62
2. Auxiliary raw materials		119.18
3. Labour		66.08
4. Power and fuel		56.64
5. Repairs		41.36
6. Supervision		19.92
7. Miscellaneous		13.33
8. Freight, etc.		28.21
	TOTAL	<u>485.34</u>

9. We give below the estimated original cost of our existing pulp plant at Naihati. It has been difficult to estimate exactly, as separate accounts for pulp and paper buildings and machinery were not kept at the time. We also give the estimated replacement cost to-day at exchange 1/5*d.*: (a) at Naihati, (b) at Jaitpura.

	Original cost at exchange 1/8 $\frac{3}{4}$ <i>d.</i>	REPLACEMENT COST AT	
		Naihati.	Jaitpura.
	Rs.	Rs.	Rs.
Patent Rights	3,80,000	3,80,000	3,80,000
Land	1,18,438	1,00,000	15,000
Buildings	8,21,385	6,89,012	7,23,463
Plant and machinery	14,91,443	12,96,544	13,61,371
Miscellaneous	1,36,368	1,00,000	14,700
TOTAL	<u>29,47,634</u>	<u>25,65,556</u>	<u>24,94,534</u>

It should be remembered that these figures include many heavy items of expenditure, and especially the pulp machine itself, which would be necessary in a pulp plant of the same size as in our existing mill but which would be sufficient for a mill of greater and in some cases of more than double the capacity.

10. Under Question 6 we have given evidence of pulp being sold at or below cost, and with regard to paper, our Home Agents have been informed by large manufacturers that, while they know manufacture to be selling below cost, they cannot show concrete proofs beyond what can be deduced from the figures in our appendices which are composed from actual manufacturers' figures. We have, however, obtained the following indirect evidence from Trade Journals:—

World's Paper Trade Review, May 2nd, 1924, page 1401:

“It has all along been recognised that certain grades of esparto paper, *i.e.*, middles, thin printings, etc., have been selling at a direct loss. Many mills have not known a successful balance sheet for three years and the position has become very serious.”

World's Paper Trade Review, May 16th, 1924, page 1582:

"Esparto paper at 3½d. per lb. for making is a very near thing if costs are anything to work on and yet there are undoubtedly some mills booking orders at this price. It is almost an unknown price among consumers, however, the bulk of whom are accustomed to paying 3½d. per lb. for second quality esparto and 4d. per lb. for first grade. In practice it is impossible to sell below these figures with any hope of decent profit."

3½d. equals £32-13-4 per ton.

3½d. equals £35-0-0 per ton.

4d. equals £37-6-8 per ton.

Under our answers to Question No. 12, we have actually produced to the Board invoices from English firms showing that during the current year German paper was sold in India at the following rates:—

German White Printing at £25-13-4 per ton c.i.f. Calcutta

German Cream Laid at £31-10-0 per ton c.i.f. Calcutta

and we thus have evidence that paper is being sold in India at prices considerably below English economic prices.

World's Paper Trade Review, May 23rd, 1924, page 1698:

"Generally speaking, the majority of British mills are selling at prices which show little or no profit."

World's Paper Trade Review, May 23rd, 1924, page 1707:

"The problem of the prices to be obtained for papers is giving manufacturers in this country a good deal of concern. It is very generally agreed that the time for an advance in the prices, at all events, for certain classes of papers, is overdue."

World's Paper Trade Review, July 4th, 1924, page 34:

"Associated Paper Mills.—In their report for the year ending September 30th, 1923, the Directors state that owing to continued depression of trade and particularly foreign competition in the paper trade, the period closed with a loss of £22,370."

11. We append two sets of figures extracted from the Commercial Intelligence Department's publications:—

The first shows the imports of paper, etc., for the years 1921-22, 1922-23, 1923-24. The other set gives the imports for the months of April/July inclusive for 1922, 1923 and 1924.

In the latter set of figures the imports from the Netherlands and Belgium may, we think, be added to the German figures for the purposes of comparison, but unfortunately in the former set the Netherlands and Belgium were included under "other countries," so that exports from Germany probably appear smaller than they actually were.

From this it appears that Germany is at present decidedly the largest exporter of paper into India and furthermore has dispossessed and is still dispossessing both the United Kingdom, and Sweden and Norway of this market very rapidly.

It may not be out of place here to draw attention to the rapid increase in imports of paper into India, which, assuming that the local production has remained constant, shows a rapid increase in the paper consumption of the country.

This increase has come about in spite of the imposition of the 15 per cent. *ad valorem* duty in and supports our contention that the additional duty asked for by the paper trade is no deterrent and will have no

effect on the natural increase in consumption that we hope for by the Indian nation.

We also append figures showing the imports of pulp for the same three years. The disappearance of the United States of America and Canada as exporters to India in favour of Scandinavia will be noted.

IMPORTS OF PAPER TO INDIA.

(In cwts.)

	1921-22		1922-23		1923-24	
	Quantity.	Per cent.	Quantity.	Per cent.	Quantity	Per cent.
United Kingdom . .	173,228	21.55	274,837	22.81	204,174	14.65
Sweden	61,069	7.59	62,013	5.14	44,798	3.23
Norway	68,489	8.51	165,155	13.68	122,187	8.78
Germany	46,541	5.79	85,808	7.13	179,899	12.92
Other Countries . .	69,089	8.58	111,440	9.20	110,774	7.96
Other kinds, paper manufactures, straw boards, etc.	385,900	47.98	507,679	42.04	731,532	52.46
TOTAL . .	804,316	...	1,206,932	...	1,393,364	...

IMPORTS OF PAPER TO INDIA.

April to July inclusive.

(In cwts.)

	1922.		1923.		1924.	
	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.
United Kingdom . .	75,884	13.85	89,089	12.57	82,542	10.32
Sweden	18,608	3.39	14,879	2.12	14,907	1.87
Norway	57,543	10.52	55,252	7.78	35,726	4.47
Germany	32,976	6.03	40,903	5.81	100,844	12.62
United States of America.	11,393	2.08	1,922	0.28	610	0.08
Netherlands and Belgium.	16,041	2.92	15,357	2.16	31,174	3.90
Other Countries . .	12,153	2.23	15,484	2.17	31,095	3.89
Other papers, paper manufactures, mill boards, etc.	322,985	58.98	474,938	67.11	552,339	62.85
TOTAL . .	547,583	...	707,824	..	799,237	...

IMPORTS OF WOOD PULP TO INDIA.

(In cwts.)

	1920-21		1921-22		1923-24	
	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.
United Kingdom . . .	4,009	2.12	48,284	25.18	5,683	3.15
Canada	2,098	1.12	20,398	10.65	..	..
Hongkong.	3,571	1.90	..	..	..	..
Sweden	40,704	21.56	57,595	30.04	59,580	33.05
Norway	66,430	35.17	16,131	8.39	74,498	41.34
Germany	36,647	19.41	27,378	14.28	40,280	22.35
Netherlands and Belgium.	13,985	7.41	13,002	6.77	203	0.11
United States of America.	21,354	11.31	8,031	4.16	..	..
Japan . . . . .	..	..	1,002	0.53	..	..
Other Countries	1	..	..	..	..	..
TOTAL	188,799	..	191,821	..	180,244	..

July-April inclusive.

	1920-21	1921-22	1922-23
Paper making materials	94,172	39,774	58,902

Dealers tell us that most of their present purchases are from Germany, but beyond these figures we have been able to obtain no definite proofs.

We also give the following extract from a survey of Indian Trade for the months of April, May and June 1924 by His Majesty's Senior Trade Commissioner in India:—

“*Packing paper.*—The total trade rose from 4 to 6½ lakhs. The British share was stationary at a little over a lakh, but that of Germany increased from 1½ to 2½ lakhs.

“*Printing paper.*—Here again, there was a slight increase from 27 to 28 lakhs. The British share fell from 10 to 8 lakhs, that of Norway from 7 to 4 lakhs, but imports from Germany rose from 5 to 9 lakhs, and those from the Netherlands from 1 to 2½ lakhs. There is also a noticeable advance in imports from Austria from ½ to 1½ lakhs.”

12. It has proved exceedingly difficult to obtain first hand information on this point, as while importers will make verbal statements, they are very reluctant to produce invoices in support. In addition to information already placed before the Board, however, we now submit two invoices but we must ask the Board to treat the importer's name as strictly confidential. The first invoice is from a firm of English paper merchants in London selling German white printing at 2½d. per lb., and is dated in January of this year. The second is from Messrs. John Dickinson & Co., Ltd., Calcutta, dated in February of this year selling German Cream Laid at £31-10-0 per ton. Both these sales are on a nett c.i.f. Indian port basis.

We think these prices are typical of present imports, though the former may be on the low side if the quality of the paper is good. Our impression of the market is that wood-free white printings and cream laids are entering the country to-day at prices in the neighbourhood of £28 and £30 respec-

tively, which at exchange 1/6d. equal Rs. 373-5-4 and Rs. 400, to which, of course, must be added the duty and landing charges paid by the importer.

13. This question has already been answered by the extracts given under Questions 6 and 10, and we also refer the Board to our answer to Question 12 when taken in conjunction with Appendix No. 1.

A confidential letter from Sweden states that the price of the correspondent's mill's easy bleaching sulphite pulp was £14 (presumably f.o.b. Swedish port) at which figure more than 2,000 tons had just been sold and that even at this price the mill in question could not make both ends meet.

14. In India Paper Pulp Mill about 460 hands are employed exclusive of office and managerial staff. We are informed that in a similar mill at Home the staff would be approximately 75.

It must be remembered that Indian paper pulp figure includes the cooly and handling labour which would probably be largely replaced by mechanical contrivances in a Home mill.

14A. See Appendices Nos. 1 and 2.

15. The usual size of a mill in Great Britain manufacturing similar grades of paper to those manufactured by the Indian mills is 2 to 4 machines.

We enclose the Paper Mill Directory of England, Scotland and Ireland for 1923 which gives full information on this subject and which we shall be obliged if the Board will kindly return.

We have been unable to obtain any information about foreign countries.

16. Refer to answer to No. 7.—Works operating costs would be identical with those of our present mill.

17. Our information from Home, estimates the capitalisation of a two-machine mill erected at to-day's costs at £50 to £60 per ton of production.

From these figures £10 a ton may be deducted as working capital leaving £40 to £50 a ton for land, buildings, machinery, railway, etc.

Of this figure at least £35 a ton will represent buildings and machinery.

A 5,500 ton plant in England at 1/5d. exchange will cost—

Rs. 31,06,000 (£220,000) at £40

Rs. 38,82,000 (£275,000) at £50

as against Rs. 45 lakhs for a similar plant in India.

Taking an overhead depreciation of 5·6 per cent. (which is about fair) on the English plant and the usual rates on the Indian and the usual capitalisation and interest we get:

5,500-ton Mill at Naihati.		5,500-ton English Mill at exchange 1/5d. capitalised at			
		£40 per ton.	£50 per ton.		
Depreciation	47·38	Depreciation	31·62	Depreciation	39·52
20 lakhs Pref. cap.	27·26	15 lakhs Pref. Cap.	16·36	10 lakhs Pref. Cap.	20·73
@ 6%		@ 6%		@ 6%	
25 lakhs Ord. cap.	45·45	16 lakhs Ord. Cap.	23·27	20 lakhs Ord. Cap.	28·09
@ 10%		@ 8%		@ 8%	
TOTAL	120·09		71·25		89·34

The Indian mill erected to-day is at a disadvantage of Rs. 30·75 to Rs. 48·84 per ton at an exchange of 1/5d. as compared with a Home mill erected at the same time. As has been mentioned elsewhere, however, we

understand that no paper mills have been erected in Europe since the war; consequently all the Indian mills' competition is with pre-war Western mills, and as is shown in the appendices, the handicap against the former is, therefore, far more severe.

This difference is on account of interest and depreciation charges *only* and takes no account of freight and duty on stores and auxiliary raw materials.

18. See Appendices.

19. This is virtually the same as Question No. 13, answer to which *q.v.*

20. A loan from Government if free of interest would be of great assistance, especially one for a number of years that would enable us to double our plant, but it would not be sufficient to help us through our difficulties without the help of substantial protection.



सत्यमेव जयते

APPENDIX I.

	5,000-TON PAPER MILL.		5,500-TON PAPER MILL.		ENGLAND.			
	Naihati.	Jaitpura.	Naihati.	Jaitpura.	Sterling.	At exchange 1s. 4d.	At exchange 1s. 5d.	At exchange 1s. 5½d.
1. Primary Raw Materials	107-14	44-05	107-14	44-05	10-979	164-68	155-00	148-44
2. Auxiliary Materials	106-34	113-70	106-34	113-70	3-469	52-04	48-97	46-90
3. Labour	44-60	46-83	40-55	42-57	4-902	73-53	69-21	66-28
4. Fuel	37-59	67-32	37-59	67-32	1-790	26-85	25-27	24-19
5. Repairs	30-34	31-86	27-76	28-96	2-415	36-22	34-09	32-64
6. Supervision	10-20	10-20	9-27	9-27	0-677	10-15	9-56	9-15
7. Miscellaneous	13-00	13-60	11-82	12-36	1-044	15-66	14-73	14-11
TOTAL WORKS COST	349-21	327-56	340-47	318-23	25-276	379-13	356-83	341-71
8. Overhead Charges	14-56	15-66	13-24	14-24	0-676	10-15	9-55	9-15
9. F. o. b. Charges (Main Central Port).	2-50	12-00	2-50	12-00	0-333	5-00	4-70	4-50
TOTAL COST f.o.b	366-27	355-22	356-21	344-47	26-285	394-28	371-08	355-36
10. Depreciation	52-12	54-73	47-38	49-75	1-400	21-00	19-76	18-93
11. Interest on Working Capital	19-60	19-60	17-82	17-82	0-600	9-00	8-47	8-11
12. Interest on Preference Shares	30-00	30-00	27-26	27-26	0-720	10-80	10-15	9-72
13. Freight.	467-99	459-55	448-67	439-30	29-005	435-08	409-46	392-12
14. Landing . . . . .	..	..	..	..	2-000	30-00	28-23	27-04
	..	..	..	..	0-167	2-50	2-41	2-25
15. To pay a dividend of 10% on ordinary capital.	467-99	459-55	448-67	439-30	31-172	467-58	440-10	421-41
	50-00	51-00	45-45	46-36	1-040	15-59	14-67	14-05
GRAND TOTAL	517-99	510-55	494-12	485-66	32-212	483-17	454-77	435-46
TOTAL COST PER LB.	3-8-39	3-7-75	3-6-35	3-5-63	3-451d	3-541	3-2-99	3-1-32

Explanatory Notes to Appendix No. 1.

Appendix (1) gives the comparison between a two-machine paper mill at Naihati, where the figures are based on our present estimated cost, a similar mill at Jaitpura, and also English mill cost worked out at varying rates of exchange. While it stands to reason that no individual Home manufacturer is willing to have his actual cost figures published, the figures we show were compiled from those actually supplied by several English mills as a basis, and we believe that the Board can take them as correctly representing typical English paper manufacturer of works situated near pit head, but some little distance from a large exporting port. It will be noted that our own figures have been shown first on a basis of 5,000 tons, as asked for by the Board and secondly on a basis of 5,500 tons output as we believe that a two-machine mill of the type on which we have based our calculations would give this output. In support of this statement we may say that our present mill has already obtained an output of 1,275 tons for six months—2,550 tons per annum and if the plant were doubled the output should increase more than proportionately.

1. *Primary raw materials.*—In the case of Naihati these have been taken at the actual cost at which we can land bamboo. In the case of Jaitpura it must be remembered that not only has freight to be deducted, but the crushing and baling charges and almost the entire forest reserve establishment can be dispensed with, leaving only cutting charges, rafting to Jaitpura and royalty. For the former we have taken Rs. 45 per ton dry bamboo landed, for the latter Rs. 18-8, the basic details of which have already been placed before the Board. Yield of paper from dry bamboo has been taken as 42 per cent., at which figure we have worked in practice. On all these figures we hope to improve, but we are making no assertions for the present answers which have not actually been achieved or brought within sight by our work up to date.

With regard to the English figures, it must be remembered that in addition to esparto grass, rags, etc., a certain amount of purchased pulp is used, though we do not know the proportion.

In spite of this fact, however, we think that the Board will find the figures given under this head form a very striking testimony of the great future that there may be for India in this industry, especially when it is remembered that we hope to improve considerably on the figures taken for landed cost of bamboo.

2. *Auxiliary raw materials.*—The quantities of chemicals required have been taken from the working of our mill for the last few months which seem to offer a fair basis for future working as they included little of the experimental work which affected the figures for the year 1923-24 already before the Board.

In the case of Naihati the rates taken are the same as those given in our original answers to the Board's questionnaire, except in the case of sulphur where the removal of duty causes a reduction, and in the case of rosin, bleach and alum, which have been taken at slightly lower rates actually obtained by us in July of this year.

The rates taken for Jaitpura are the same as those taken for Naihati, subject only to difference in freight charges as quoted us by various shipping companies, the difference being largest in the case of magnesite.

It will be noted that our cost under this head is over 100 per cent. above the English figures. It must be remembered that we pay heavy freight on almost all our auxiliary materials, while on a few we also pay duty. Moreover, it is necessary for us to carry heavier stocks than English mills, while in the case of bleach there is a very serious deterioration in strength, particularly during the rains. The fact that English mills buy a considerable quantity of their raw materials half manufactured in the form of pulp still further explains the difference, but does not, in our opinion, fully account for it. We hope, therefore, that there is a margin for improvement which continued working and more experience may effect.

3. *Labour*.—As regards Naihati the labour figures are based on the hands actually employed in our mill and we can assure the Board of our ability to work to them in practice, the figures have been worked out in detail with the greatest care.

As regards Jaitpura, there is no evidence that there would be any advantage as compared with Naihati in the cost of unskilled labour generally. An overall increase of 5 per cent. on wages cost has been taken to cover a probable increase in the cost of skilled labour, most of which would have to be imported from elsewhere.

In spite of the very big difference in the number of men employed and allowing again for the fact that in English mills only a proportion of the raw materials requires to be cooked, it is interesting to note the big difference between the respective wage bills. We should also mention that our figures include approximately Rs. 8 per ton which represents labour for handling raw materials, which labour would probably be replaced to some extent by mechanical handling and contrivances in an English mill.

It appears, therefore, that there is a very considerable saving in the cost of Indian labour as compared with English.

4. *Fuel*.—We think that the English figures will be a surprise. Here again they are affected, by the fact that only a proportion of the raw material has to be cooked into pulp. Also we understand that most of the mills from which the figures were compiled were situated close to the pit head, whereas Naihati is some 100 miles away from the collieries, and the freight amounts to more than 25 per cent. of the total cost, while in the case of Chittagong it amounts to 60 per cent. of the cost.

For both Naihati and Jaitpura we have taken 3 tons of almost the best Indian coal at Rs. 9 per ton f.o.r. as the amount of fuel required to manufacture one ton of paper from bamboo. The reduction shown by this figure in comparison with the figure of 4.25 tons obtained by us in past working is accounted for by the fact that in the past we have been working on second class coal, whereas in our present estimates we are calculating on better Indian coal. It is further explained by the fact that in our present mill we are only using a portion of our power capacity, while in a properly balanced 2-machine mill, we should be working to the full capacity of our power plant.

Here again the Home figure seems to indicate that in time we may effect a considerable reduction on the consumption we have actually taken, while in the case of Jaitpura there is the possibility of hydro-electric power taking the place of coal to an extent of 50 per cent.

5. *Repairs*.—For the 2-machine paper mill at Naihati we have taken $1\frac{1}{2}$ times the actual repair figure for our one-machine mill during the year 1923-24. We think this represents a fair expectation of economy on the double plant. For the mill at Jaitpura, the Naihati figure has been increased by 5 per cent. to provide for the fact that a larger stock of spares, etc., would have to be carried, on some of which we should probably have to pay freight from Calcutta.

It will be noted that the English repair figures are somewhat higher than the Indian ones, although many of our stores are imported from England. We think this can be accounted for by the fact that the English mills from whom the figures were obtained are old mills, and their upkeep comparatively costly.

6. *Supervision*.—Our figures provide for a Manager, an Engineer, an Assistant Engineer and three Machinememen, which, in the present stage of the industry, is the smallest European staff we consider possible. With the adoption by Indians of the paper-making trade as a profession, we hope to reduce this number.

7. *Miscellaneous*.—These figures are made up of packing, rent and taxes, insurance and charges general, which are identical at Naihati and Jaitpura except in the case of charges general, where we have allowed an additional Rs. 5,000 per annum for Jaitpura to cover increased travelling expenses,

etc., while we have decreased the rent and taxes figure for Jaitpura by Rs. 2,000 as compared with Naihati. The total at Naihati is Rs. 65,000 and at Jaitpura Rs. 68,000 per annum as compared with the actual expenditure at Naihati for the year 1923-24 of Rs. 39,700 for a one-machine mill.

The fact that the English figures under this head are higher than our own may almost certainly be attributed to the higher rents and taxes they are naturally called upon to pay.

Total works cost.—The total of the items discussed up to this point give the works costs, and it will be seen that at exchange 1/4d. both Naihati and Jaitpura figures compare very favourably with Home working costs, while even at exchange 1/5½d. the Jaitpura figures are decidedly below the English figure and if an output of 5,500 tons is obtained the Indian mill is not at a disadvantage even at Naihati.

8. *Overhead charges.*—We give these below in detail for both Naihati and Jaitpura. In the case of Jaitpura we have allowed a higher figure for godown rent as we should have to carry considerable stocks in an outside godown adjacent to our market, these stocks being kept at the mill in the case of Naihati.

Overhead charges.

	5,000-ton Paper Mill at	
	Naihati.	Jaitpura.
Office allowance	12,000	12,000
Calcutta godown rent	7,500	12,500
Bank and collection charges	2,000	2,500
TOTAL	21,500	27,000
Equals per ton of paper	4.30	5.40
Add Agents commission at 2 per cent per ton on market rates (say ½ per lb. equals 513/- per ton).	10.26	10.26
	14.56	15.68

9. *F.o.b. charges.*—To arrive at a common basis for the three mills, we have estimated for their products to be put f.o.b. at some main central port, such as Calcutta-Madras in the case of Indian mills and London-Glasgow-Liverpool in the case of English mills. With this explanation, we do not think the charges allowed will require much comment. In the case of Jaitpura we do not consider Chittagong sufficiently central for Indian markets, and have, therefore, included a freight rate of Rs. 9.8 which should cover transport to Madras and/or Calcutta.

Total cost f.o.b.—The figures up to this point give the total f.o.b. cost excluding financial and depreciation charges, and here again it will be seen that the Indian costs compare on the whole favourably with the English figures. Comparing Naihati and Jaitpura figures up to this point, it will be seen that Jaitpura enjoys a very great advantage in respect of primary raw materials, but is at a disadvantage under every other heading, except supervision, while the nett advantage in favour of a 5,500-ton output at Jaitpura over Great Britain is approximately Rs. 11 per ton, even at 1-5½d. exchange.

10. *Depreciation.*—The cost of erection of a 5,500-ton paper mill at Naihati has been estimated as under:—

	Rs.
Cost of land	1,00,000
Cost of Buildings	12,00,000
Cost of Machinery	30,75,000
Miscellaneous	1,00,000
TOTAL	44,75,000

No depreciation has been taken on land or miscellaneous, the latter item consisting principally of mill siding. Depreciation on buildings and machinery has been taken as under:—

	Rs.
7½ per cent. on Rs. 30,75,000 equals	2,30,625
2½ per cent. on Rs. 12,00,000 equals	30,000
TOTAL	2,60,625

This gives Rs. 52·12 and Rs. 47·38 per ton for outputs of 5,000 and 5,500 tons respectively.

For depreciation at Jaitpura we have added an additional 5 per cent., this representing the estimated increase in cost of erection of a mill at that place, bringing the figures to Rs. 54·73 and Rs. 49·75 per ton for 5,000 and 5,500 tons of output respectively.

As we understand that no new mills have been erected in England since the war, we have taken a pre-war capitalization of £25 per ton excluding working capital, on which basis a 5,000-ton mill would cost £125,000.

Allowing an overall depreciation rate of 5·6 per cent., this gives an annual charge of £7,000 for depreciation or an incidence of £1·400 per ton of paper.

11. *Financial charges.*—It has been estimated that a 5,500-ton paper mill would require Rs. 45,00,000 capital in the case of Naihati and Rs. 45½ lakhs in the case of Jaitpura, excluding Rs. 14 lakhs of working capital in both cases. (Nothing has been allowed for patent rights in these figures.)

Of this capital it is proposed to calculate on Rs. 20 lakhs of Preference Shares at 7½ per cent. per annum, the interest on which would amount to Rs. 1,50,000 per annum or Rs. 30 and Rs. 27·26 per ton of paper on outputs of 5,000 and 5,500 tons respectively. The balance capital of Rs. 25 lakhs and Rs. 25½ lakhs for Naihati and Jaitpura respectively would take the form of ordinary shares. To pay a dividend of 10 per cent., which we consider a fair return on ordinary capital, would mean an incidence per ton of paper of Rs. 50 and Rs. 51 at Naihati and Jaitpura respectively on an output of 5,000 tons, these figures falling to Rs. 45·45 and Rs. 46·36 on an output of 5,500 tons.

We have estimated that 7 per cent. is a fair rate to take for interest on working capital, which gives an interest charge of Rs. 98,000 per annum or an incidence of Rs. 19·60 and Rs. 17·82 per ton on outputs of 5,000 and 5,500 tons respectively.

Again taking the capitalization of a pre-war English mill as £125,000, we have taken £80,000 as preference capital which at 6 per cent. requires £3,600 interest or £0.720 per ton paper, while the balance of £65,000 has been taken as ordinary capital on which 8 per cent. (which would be considered a fair return in England) has been taken, giving an annual interest charge of £5,200 or £1.040 per ton paper.

For English working capital we have allowed £10 per ton of production which gives £50,000, giving at 6 per cent., an annual interest charge of £3,000 or an incidence of £0.6 per ton paper.

Actual freight and landing charges payable on English papers imported into India have been given so as to offer a ready comparison in the special light of Indian markets.

The actual totals of Depreciation and all Interest charges combined for the various columns are as under:—

India.				English.			
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
151.72	155.33	137.91	141.19	£ 3.76	56.39	53.05	50.81

That is to say, that the Indian mills' burden under these heads is nearly three times that of the English mills.

As already mentioned Indian mills on the whole are at a very little, if any, disadvantage (as compared with the English mills) in their f.o.b. works costs. It is when we come to depreciation and financial charges that it is shown that the Indian post-war mill labours under a very great handicap as compared with the Western one erected prior to 1914.

Some of this is due to the extra cost of erection of an Indian mill due to freight and import charges on machinery and to the fact that the Indian investor expects rather a better return on his money than his Home confrère. But the bulk of this enormous difference of nearly Rs. 100 a ton is due to the great appreciation in costs since the war. It must be remembered that to the best of our knowledge all the paper mills with whom we are competing were erected before the war and in addition to the much cheaper plant that they possessed at the time of erection, they have had the benefit of a number of years of exceeding prosperity in which to write down their plant and to provide themselves with working capital and this financial difference more than outweighs all the great advantages that India possesses in regard to the raw material.

We are told on reliable authority that a mill to-day in England would cost about £45 per ton of production to erect as against £25 for a pre-war mill.

The final figures given show the actual relations between the Indian and English costs for papers delivered in the case of Indian paper f.o.b. Calcutta and in the case of English paper landed at Calcutta.

It will be seen from this how completely the Indian mill is at the mercy of exchange, the difference between landed cost at 1/4d. and the landed cost at 1/5½d. being no less than Rs. 47.71 per ton, and with exchange at the time of writing at over 1/6d., this difference is still further increased.

However, if the Indian mills be given an opportunity to reduce their block to the same proportion as those of their Western competitors and to lay aside working capital and furthermore be protected against the vagaries of exchange during the period of stabilization of the world's finances we think our figures will convince the Board that Indian mills manufacturing paper from bamboo will be able to compete successfully with European products over a large portion of the Southern Hemisphere.

APPENDIX 2.

	6,000-ton Pulp Mill at Jaitpura.	NORWEGIAN PULP MILL COSTS AT EXCHANGES			
		Sterling.	1s. 4d.	1s. 5d.	1s. 5½d.
1. Primary raw materials	44.05	6.75	101.25	95.29	91.27
2. Auxiliary raw materials.	49.36	0.58	8.70	8.17	7.82
3. Labour	16.82	2.00	30.00	28.23	27.04
4. Fuel	33.66	1.00	15.00	14.12	13.52
5. Repairs	8.85	0.50	7.50	7.06	6.76
6. Supervision . . .	5.50	} 0.75	11.25	10.58	10.14
7. Miscellaneous . .	3.83				
TOTAL WORKS COST .	162.07	11.58	173.70	163.45	156.55
8. Overhead charges .	7.17	0.33	5.00	4.71	4.51
9. F.o.b. charges . .	2.50	0.50	7.50	7.06	6.76
TOTAL COST f.o.b. .	171.74	12.41	186.20	175.22	167.82
10. Depreciation . .	27.15	1.01	15.15	14.25	13.66
11. Working Capital .	3.50	0.24	3.59	3.39	3.23
12. Preferential Capital .	16.25	0.48	7.19	6.77	6.47
	218.04	14.14	212.13	199.63	191.18
13. Ordinary Capital .	23.33	0.80	12.00	11.29	10.81
	241.97	14.94	224.13	210.92	201.99
14. Freight . . . . .	..	2.00	30.00	28.23	27.04
Norwegian cost c.i.f. Calcutta		16.94	254.13	239.15	229.03
Jaitpura cost f.o.b. Chit-tagong.	241.97				

*Explanatory Notes to Appendix No. 2.**(Pulp.)*

Although the Board has asked for cost figures for a 5,000-ton pulp mill, our figures have been based on an output of 6,000 tons. Only certain portions of our present pulp plant (on which we have based the erection costs of the Jaitpura pulp mill) would need additions and our experts advise us that we could safely expect an output of 6,000 tons on an expenditure for plant and machinery as laid down in the pulp block account we have taken. A lower figure of output would, therefore, represent unfairly the costs of production from this plant on which we have had to base our calculations.

We would, however, point out to the Board that while we have no actual experience we are not satisfied that either scale represents an economic unit. We are inclined to believe that the smallest unit capable of showing full economy would be a 10,000-ton mill, and the Board will easily see that a saving might reasonably be expected under most of the heads by an increased production.

The figures given for Norwegian mills costs are compiled from a series of actual figures obtained by us from Norway, and the Board may take them as reliable, though we are unable to publish their sources as they were given in confidence.

1. *Primary raw materials.*—We have used the same figure as was taken for paper in Appendix I for we claim that the same quantity of bamboo is required for one ton of paper as is required for one ton of unbleached pulp, the wastage in the latter in being manufactured into paper being exactly replaced by added auxiliary raw materials.

It will be noticed that our cost under this head compares very favourably with the Norwegian figure, in fact this contrast is one of the principal arguments on which we base our belief in the future development of the industry in this country.

We do not know whether the Norwegian figure provides for wastage of their forests, which is a point of very considerable importance.

2. *Auxiliary raw materials.*—Here again we have taken our figures on exactly the same basis as in Appendix I, taking out chemicals which are solely required for paper manufacture and would not be needed in the case of a mill producing pulp only.

We do not understand the remarkably low figure shown by the Scandinavian mills under this head. Even allowing for lower freights, the difference is very remarkable and encourages us to hope that with further working and experience we may devise methods for effecting considerable economy. It will be noticed, however, that the difference in the cost of auxiliary raw materials is not sufficient to neutralise the advantage we hold in respect to primary raw materials and on all primary and auxiliary raw materials combined we hold a distinct advantage over the Scandinavian mill.

3. *Labour.*—This figure was obtained by striking out from the estimated wages list of a two-machine paper mill all classes of labour which applied solely to paper manufacture and would not be required in a pulp mill.

It will be noted that as in the case of paper we enjoy a distinct advantage over Western competitors under this head.

4. *Fuel.*—In the case of Jaitpura, this figure has been obtained in a singular way to the corresponding figure in Appendix I, the quantity taken being $1\frac{1}{2}$ tons, or exactly half that required for paper, the quality and price of the coal remaining the same.

The difference between our figure and the Norwegian cost is probably accounted for by the use in Scandinavia of hydro-electric power, combined probably with the utilisation of waste wood for raising a proportion of the necessary steam.

5. *Repairs.*—From the actual figures of our present mill, we have established a ratio between repair figures for pulp and paper plant respectively. This ratio has been applied to the figure shown in Appendix I and we believe that the result furnishes as close an estimate as it is possible to give for an Indian pulp mill without actual experience.

It will be noted that our figure is slightly higher than the Norwegian cost as might be expected on account of the necessity of an Indian mill importing a considerable proportion of stores from Europe.

6. *Supervision.*—We have provided for three Europeans under this head, as we consider this is the minimum with which a mill could be worked under present conditions.

7. *Miscellaneous.*—This figure is made up of insurance, rent and taxes, packing and charges general, the latter item amounting to nearly half the gross total of Rs. 23,000. This principal difference between this total and that shown in Appendix I is due to reduction in packing charges which are comparatively small for pulp, but very heavy for paper especially in this country owing to the fact that Indian consumers require almost all their paper in reams.

It will be noted that the Norwegian figures for 6 and 7 are combined as they were given us in this form and we have no means of ascertaining how they are made up.

Total works cost.—It will be seen that at 1/4d. exchange we have an advantage of approximately Rs. 11½ per ton over the Scandinavian mill, while even at exchange 1/5½d. our figures compare not unfavourably.

We have only been able to obtain actual figures from Norway for works costs, and from this point on, therefore, we have had to estimate their costs. In each case, however, we have given our process of reasoning and we think the Board will agree with the fairness of our conclusions.

8. *Overhead charges.*—Our figure consists only of office allowance, taken at Rs. 12,000 per annum and Agents' commission at 2 per cent. per ton on a valuation of Rs. 250 per ton, and a small allowance of Rs. 1,000 for bank charges, etc.

The Norwegian figure has been estimated at approximately half the overhead charges for an English paper mill shown in Appendix I, which seems to us reasonable.

9. *F.o.b. charges.*—White Chittagong can hardly be classed as a main central port for paper destined largely for the Indian market, we feel that with a large pulp production principally intended for export it would be possible to obtain reasonable freight rates from Chittagong to our markets. We have, therefore, shown our pulp costs f.o.b. Chittagong.

This figure has been taken rather higher for Norwegian mills, as we believe that few Scandinavian mills are so conveniently adjacent to a port capable of accommodating ocean going vessels as is Jaipur to Chittagong.

It will be seen that at this point our figures still compare very favourably with European competition, the balance in our favour being Rs. 14.46 or, say, £1 per ton at exchange 1/4d., while even at exchange 1/5½d. there is only a small advantage in favour of Scandinavia.

10. *Depreciation.*—Our estimated erection costs for a 6,000-ton pulp mill at Jaipur at exchange 1/5d. exchange patent rights, is as follows:—

	Rs.
Land	15,000
Buildings	7,44,463
Plant and machinery	19,24,147
Miscellaneous	14,700
TOTAL	26,98,310

Taking depreciation on buildings and machinery only, at income-tax rates, we obtain a yearly depreciation of Rs. 1,62,923, or an incidence of Rs. 27.15 per ton of pulp.

For a Scandinavian pre-war pulp mill we have allowed a block of £90,000, which at an overall depreciation rate of 5.6 per cent. gives an annual charge of £5,040, or an incidence of £1.01 per ton pulp on an output of 5,000 tons.

11. *Working capital.*—For our Indian mill we have taken Rs. 3,00,000 at 7 per cent., which gives an interest charge of Rs. 21,000 or 3.5 rupees per ton. The reason why this is so much lower than the working capital taken for a paper mill is because of the smaller number of chemicals and stores which would have to be carried and by the fact that we would be selling the mills production forward while the stock of paper carried by paper mills is the heaviest item in their working capital.

For the Norwegian figure we have taken £20,000 at 6 per cent. giving an interest charge of £1,200, or £0.24 per ton.

12. *Preference Shares.*—For the Indian mill we have taken a total capital of 27 lakhs dividing it into 13 lakhs preference shares at 7½ per cent., and

14 lakhs of ordinary shares. The yearly interest on preference shares is, therefore, Rs. 97,500, or Rs. 16·25 per ton of pulp.

The estimated Norwegian capital of £90,000 has been divided into £40,000 of preference shares at 6 per cent., and £50,000 of ordinary shares. The yearly preference share interest is, therefore, £2,400 or £0·48 per ton.

13. *Ordinary capital.*—For our mill we have taken 10 per cent. as a fair rate of interest, giving Rs. 1,40,000 per annum, or Rs. 23·33 per ton pulp.

For Norway 8 per cent. seems a fair rate, giving £4,000 per annum, or £0·80 per ton pulp.

14. To form a basis of comparison with regard to Eastern markets, we have shown freight on Norwegian pulp sufficient to place it f.o.b. Calcutta. As in the case of paper, we have shown Indian pulp f.o.b. Indian port, while we have shown the European product as landed in Calcutta.

Grand Total.—We believe that the Financial and Depreciation charges we have shown for the Norwegian mill must approximate closely to those of typical mills, for the total cost of £16·94 agrees closely with what we understand is admitted to be a normal price of £17 per ton c.i.f. Calcutta for imported pulp.

We give totals for each column of the appendix for depreciation and interest only for purposes of comparison.

(1)	(2)	(3)	(4)	(5)
Rs. 70·23	£ 2·53	Rs. 37·93	35·70	34·17

It will be seen that the f.o.b. costs of an Indian mill manufacturing pulp compare very favourably with the Norwegian figures at an exchange of 1/4d. This difference is, however, more than swallowed up by the extra charges for depreciation and interest required by a modern mill in India, while the difference between the landed cost of Norway pulp at exchange 1/4d. and exchange 1/5½d. amounts to Rs. 25 which figure will be appreciably increased by the further rise in exchange to 1/6d.

As in the case of paper, we think, the Board will be convinced that given protection against exchange fluctuations until such time as financial conditions throughout the world become stable and until the Indian mills can put themselves on a level footing with their Western competitors as regards financial charges, the industry of manufacturing pulp from bamboo in India and Burma offers very great scope for building up a large industry and for the profitable utilization of the natural resources of the country.

It is not difficult to visualise India competing in the South and Far East while a substantial rise in the price of wood pulp may some day see her entering European markets.

Statement IX.—Supplementary statement, dated 15th December 1924, handed in by the India Paper Pulp Company before the oral examination of their representative on the 15th December 1924.

On completion of our evidence, we think it will be of assistance to the Board, and to our case, to consider our claim for protection in the light of the figures since submitted. We, therefore, set out the following points with a view to a clear reconciliation of all the various statements we have put forward:—

(1) From the figures given in Appendix I of our answers to the Board's subsidiary questionnaire, it would appear that a fair average return for the whole of our production on a basis of 5,250 tons would be about Rs. 505 per ton f.o.b. Calcutta, or say, Rs. 507-8-0 per ton delivered at our Calcutta godown.

(2) To arrive at a fair selling price in Calcutta, however, we have to add Banian's Commission and Brokerage, amounting to 3 per cent. We, therefore, consider that to obtain a fair comparison with imported papers, the average selling price required might reasonably be raised by Rs. 15 per ton, these charges not being incurred by importers, who, in the majority of cases, are also dealers.

(3) It will be noticed that in Appendix I no allowance was made for unforeseen contingencies, labour shortage, strikes, accidents, or any circumstances occasioning loss of efficiency.

(4) It will further be noticed that in the Appendix, provision has only been made for a return of 10 per cent. on the ordinary capital. A prospective investor would expect costs and figures showing possibilities of a return of, say, 20 per cent. before he would have a reasonable expectation in his own mind of receiving a dividend of 10 per cent. after setting aside proper reserves, etc. Without such an inducement he would hardly consider the investment to be one worth considering.

(5) In consideration of paragraphs 3 and 4 we consider that a further sum of Rs. 25 might reasonably be added to our anticipated return in order to obtain a fair figure on which to base comparisons with imported papers.

Summarised, therefore, we consider that a fair average price in Calcutta for the production of our mills would be Rs. 547-8-0 per ton nett.

(6) We estimate that an output of 5,250 tons will be made up approximately as under:—

20 per cent. writings at Rs. 587-8-0	} an average of
60 per cent. printings at Rs. 565-0-0	
20 per cent. Badami, Browns, etc., at Rs. 455-0-0	
	Rs. 547-8-0.

(7) It should be noted in parenthesis that while, for the purposes of the present argument, we are considering the case of Calcutta only, we are also competing with the importer in other ports, such as Madras, Bombay and Rangoon, in which cases we incur additional freight which the importer escapes. This represents a distinct disadvantage to Indian mills which we hope will be kept in mind by the Board.

(8) Turning to imported papers, we would point out that the English mill instanced by us in Appendix I is one manufacturing his grade papers, and the average quality of its production is appreciably higher than the imported qualities against which we are competing in India. It must not, therefore, be taken as entirely typical of the competition we have to meet.

Actually we have reason to believe that paper is entering the country to-day at approximately the following prices:—

Writings.	Printings.
£29 per ton c.i.f.	£28 per ton c.i.f.
(= Rs. 409-41 @ Ex. 1/5)	(= Rs. 395-29 @ Ex. 1/5)
(= Rs. 385-67 @ Ex. 1/6)	(= Rs. 373-33 @ Ex. 1/6)

(Actually the Controller of Printing, Stationery and Stamps has recently received a tender from England for White Printing at £27-17-7 per ton c.i.f. Calcutta which confirms the above figures deduced by us from general knowledge of the market.)

(9) To the c.i.f. price must be added another Rs. 6 per ton to cover landing charges and cartage to godown. This gives the total landed cost of imported papers, which is directly comparable with the price at which we can afford to sell *ex* godown in Calcutta.

(10) The comparison may, therefore, be set out as under :—

	Fair selling price for Indian paper.	Total landed cost of imported paper.	Protection needed.	Protection* as claimed by us.
<i>Exchange 1/5.</i>				
Writings	587.5	415.41	172.09	182.12
Printings	565.0	401.29	163.71	175.15
<i>Exchange 1/6.</i>				
Writings	587.5	392.67	194.83	217.37
Printings	565.0	379.33	185.67	209.05

(11) In paragraph 10 it will be seen that the protection needed by a two-machine mill if working to the figures shown in Appendix I will agree closely with our original claim for increased protection as modified in our letter of 15th October last with regard to fluctuations of exchange.

If the point raised by us in paragraph 7 is taken into consideration, the figures will be found to agree still more closely.

*(These figures are calculated on the market rate as given in Column I at the rates claimed by us, *viz.*, 25 per cent at Exchange 1/4 *plus* 1½ per cent for every farthing exchange rises above 1/4*d.* or 31 per cent at Exchange 1/5*d.* and 37 per cent at Exchange 1/6*d.*).

Statement X.—Further Supplementary statements submitted by the India Paper Pulp Company, Limited, on the 29th December 1924.

In continuation of our letter of the 22nd instant, we enclosed copies of the statements mentioned therein.

We also have the honour to hand the Board an additional statement with explanatory notes. This statement shows the return it would be necessary for us to obtain in order to provide a fair return on Capital. Figures have been given both for our present mill, taking actual works costs and financial charges based on the present estimated cost of replacement, and also for a 2-machine mill at Naihati, taking as a basis the figures shown in Appendix I of our subsidiary answers. The statement shows the total cost in three forms:—

- (a) F.o.r. mill.
- (b) Free delivered to customers in Calcutta.
- (c) Free delivered to customers in up-country.

Enclosure I.

Statement showing works cost per ton for year ending September 1924 as compared with year ending March 1924.

	Year ending March 1924 Form I.	Half year ending March 1924.	Half year ending Septem- ber 1924.	REMARKS.
1. Bamboo	100.2	93	74	
2. Purchased unbleached pulp	40.4	49	80	
3. Auxiliary Raw Materials	119.1	106	95	
4. Labour	66.1	62	61	
5. Coal	56.7	50	53	
6. Stores and Repairs	41.4	40	31	
7. European supervision	19.9	19	19	
8. Packing	7.0	21	20	Included under one head in Form I (No. 8 Miscellaneous.)
9. Miscellaneous (Mill)	6.3	5	9	
WORKS COST f. o. r. MILL	457.1	445	442	

NOTE.

Packing.—It will be noticed that the figure in Form I is markedly lower than in the subsequent periods. The reason for this is that the cost of the wrapper used in reaming and baling paper constitutes almost the whole of

the packing charges, all the wrapper used being made in the mill. On commencement of manufacture, wrapper so used was not reckoned as part of the production. Hence it was not included as a direct costs charge, but, owing to the lower production, all charges per ton were slightly increased. This system was altered in September 1923, the wrapper being included in production and the value charged as a manufacturing cost, and hence the heavy increase in packing costs, this increase, however, being only apparent, as the increase under this head balances the decrease in other charges owing to increased production.

Enclosure II.

Statement showing average nett prices realized before deducting selling charges and freight, 1922—1924.

	Average price per lb. nett. (a)	Percentage of Badami, Brown and packing. (b)	Average price per lb. nett if column (b) eliminated. (c)	Percentage of Unbleached, News and Un-glazed. (d)	Average price per lb. nett if Columns (c) and (d) eliminated. (e)
	A. P.	Per cent.	A. P.	Per cent.	A. P.
Half year ended September 1922	4 5-20	23-9	5 0-03	..	5 0-03.
„ „ „ March 1923	3 10-80	50-3	4 2-71	18-4	4 6-07
„ „ „ September 1923	2 10-84	26-2	4 1-38	18-0	4 2-66
„ „ „ March 1924	3 11-87	27-8	4 2-94	2-3	4 5-08.
„ „ „ September 1924	4 0-68	4-9	4 1-39	9-9	4 2-02.
October-November 1924	3 11-34	4-1	3 11-86	1-6	3 11-92

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Enclosure III.

Statement showing Nominal Market prices of White Printing and Cream Laid, 1922—1924.

	June 1922.	January 1923.	June 1923.	January 1924.	June 1924.	December 1924.
	A. P.	A. P.	A. P.	A. P.	A. P.	A. P.
<i>White Printing</i>	6 0	5 0	5 0	4 9	4 9	4 3
Less 9 per cent	5 5-52	4 6-6	4 6-6	4 3-87	4 3-87	3 10-41
Less Freight at Rs. 20 per ton	5 3-81	4 4-89	4 4-89	4 2-16	4 2-16	3 8-70
<i>Cream Laid</i>	6 0	5 3	5 6	5 0	5 0	4 4
Less 9 per cent	5 5-52	4 9-33	5 0-06	4 6-6	4 6-6	3 11-775
Less Freight at Rs. 20 per ton	5 3-81	4 7-62	4 10-25	4 4-89	4 4-89	3 10-081

Enclosure IV.

Statement showing the return it would be necessary for the Company to obtain in order to provide a fair return on capital.

EXPLANATORY NOTE.

On the annexed statement, 3 columns of figures have been shown. The first two are based on the Works Costs of Appendix I for a 5,000—and 5,500-ton paper mill at Naihati respectively, and the third column is based on those of our existing mill, the capacity of which has been taken at 2,500 tons per annum.

Details of the figures have been worked as follows:—

(a) Works Costs (Item No. 1).

In the first two columns, this figure is taken direct from Appendix I. In column 3, it represents the actual figure of our present mill for the six months ending September 1924.

(b) Overhead Charges (Item No. 2).

In the first two columns, this charge has been made up as follows:—

	Rs.	
Calcutta godown rent	7,500	} As in Appendix I.
Bank collection charges	2,000	
	<hr/> 9,500 <hr/>	

In the third column, the basis is slightly different as the Works Costs have been shown in the same manner as in Form I, which differed somewhat from Appendix I of the Subsidiary Answers. Overhead in column 3 is therefore, made up of the miscellaneous figure of Rs. 7 per ton which was shown in Form IV of the original answers classed with freight.

(c) Managing Agent's Allowance (Item No. 3).

This has been taken at the rate of a fixed allowance of Rs. 5,000 per month in columns 1 and 2, and Rs. 2,500 per month in column 3, no provision being made for commission on either sales or profits.

(d) Depreciation (Item No. 4).

In the first two columns, this has been taken at 6½ per cent. on estimated costs of buildings and machinery together at Rs. 42,75,000 (see Subsidiary Answers, page 16). In column 3, it has been taken at 6½ per cent. on Rs. 30,77,359, being the estimated replacement cost of our present mill at exchange 1/5d., as given on page 5 of our Subsidiary Answers.

(e) Interest on Working Capital and Preference Capital (Items Nos. 5 and 6).

In the first two columns, the figures have been taken direct from Appendix I. In column 3, the same rates have been taken (*viz.*, 7 per cent and 7½ per cent. respectively) on Rs. 10,00,000 working capital and Rs. 15,00,000 preference capital.

(f) Dividend on Ordinary Capital (Item No. 7).

In the first two columns, this has been taken at 15 per cent. on 25 lakhs (the same capital as was taken in Appendix I, *vide* Subsidiary Answers, page 16), and in column 3 at 15 per cent. on 18 lakhs, giving a total capital of 33 lakhs for the 2,500-ton mill.

(g) Contingency Allowance (Item No. 8).

A contingency allowance of 10 per cent. on the total Works Cost has been allowed in the first two columns on account of the figures being theoretical and not practical. In column 3, this is not required as the figures have been taken from actual working.

At this stage we have the total cost of manufacture f.o.r. mill, and subsequent figures show the cost of production—

- (a) on a delivered Calcutta basis; and
 - (b) on a delivered up-country destination basis,
- the three columns being sub-divided accordingly.

(h) Freight (Items Nos. 9 and 10).

Rail freight to Calcutta is approximately Rs. 2 per ton *plus* Rs. 5-8-0 per ton for lorry and handling charges to godown, while for up-country purposes, an overall average of Rs. 20 per ton has been taken, which rate agrees with practical experience.

(i) Selling Charges (Items Nos. 11 and 12).

In the case of Calcutta, Brokerage and Banian's commission has been taken at 3 per cent. on Rs. 600 per ton for the 5,000- and 5,500-ton mills, and at 3 per cent. on Rs. 750 per ton for the 2,500-ton mill. In the case of up-country deliveries, agents and canvassers expenses have been taken at 2 per cent. on the same figures.

	5,000 TONS.		5,500 TONS.		2,500 TONS.	
	Calcutta.	Up-country.	Calcutta.	Up-country.	Calcutta.	Up-country.
1. Works Costs	349-21	..	349-47	..	442	..
2. Overhead excluding Managing Agents' Allowance.	1-90	..	1-73	..	7	..
TOTAL WORKS COSTS .	351-11	..	342-20	..	449	..
3. Managing Agents' Allowance.	12-00	..	10-91	..	12	..
4. Depreciation	53-44	..	48-58	..	77	..
5. Interest on Working Capital	19-60	..	17-82	..	28	..
6. Interest on Preference Shares.	30-00	..	27-26	..	45	..
7. Dividend on Ordinary Shares.	75-00	..	68-17	..	108	..
8. Contingency Allowance .	35-11	..	34-22	..	..	..
TOTAL COST f. o. r. MILL	576-26	576-26	549-16	549-16	719	719
9. Rail and Lorry Freight to Calcutta.	7-50	..	7-50	..	7-5	..
10. Average Freight Charge on Upcountry Orders.	..	20-00	..	20-00	..	20
11. Banian's Commission and Brokerage.	18-00	..	18-00	..	22-5	..
12. Upcountry Agents and Canvassers Expenses.	..	12-00	..	12-00	..	15
TOTAL .	601-76	608-26	574-66	581-16	749-0	754

Statement XI.—Letter dated the 15th January 1925, from the India Paper Pulp Company, Limited.

With reference to letter * No. 27, dated the 9th January 1925, from the Controller of Printing, Stationery and Stamps, to the Board, we have the following comments to make on the points raised by the Controller.

Paragraph 2.—The Controller states he has been experiencing considerable difficulties with regard to our supplies as from the beginning of December. He quotes three cases, the results of tests obtained being compared with samples tendered by us for the Government Contract 1924-25. We will first give in detail the circumstances under which these papers were supplied and secondly, explain the conditions under which they were manufactured.

(a) With regard to the large supply of unbleached bamboo paper accepted at a discount, we wish to make it quite clear that we did not tender this manufacture against an Indent from the Controller, but offered it as a job lot, and the Controller accepted it at a reduced rate. We had found the outturn of this paper to be below quality, an occurrence which is not unusual in all mills from time to time. In these circumstances, we do not consider the Controller is justified either in comparing the results obtained with tender sample tests or in assuming that our quality has deteriorated because of this instance.

(b) Reference is made to Unbleached Printing Paper delivered in December. This was supplied against an order, and although it was below our usual standard, we did not consider it was so much inferior as to justify us remaking and we allowed it to be delivered. The paper was accepted without comment, and the Controller's receipt given, from which we think it reasonable to assume that the paper was sufficiently good for the purpose for which it was required.

The criticism on this delivery contained in the letter addressed by the Controller to you is the first we have heard regarding the matter, and we submit that as it was accepted after being submitted to the careful tests which are usually carried out in the Controller's Office, this proves that the paper was not seriously defective.

(c) The third instance is a consignment of White Printing Paper special finish delivered in December. The Controller in this case mentions our original tender samples (1924-25 Contract) and compares their physical tests with those of the consignment in question. We wish to point out that, although we tendered for special White Printing, our tender was not accepted, and the special White Printing in question was made according to verbal instructions received from the Controller. These verbal instructions contained a request for very high finish, involving extra loading, thus reducing the strength of the paper, and therefore, we again submit that the comparison is an unfair one. Further, this particular consignment was made entirely from Wood Pulp on account of temporary trouble with our digesters, one of which was under repair and the other out of use for three days owing to the outlet pipe being blocked.

We wish specially to call the Board's attention to the fact that the complaint regarding lack of strength is common both to papers made from Wood Pulp and Bamboo, which clearly demonstrate that the trouble is not due to any inherent defect in the fibre itself, or in the quality of either Bamboo or Wood Pulp, but to the mechanical treatment of the same. This is borne out by the fact that the period complained of by the Controller exactly coincides with that during which trouble has been experienced at the Mill with one of our beating engines. In our Mill, as at present equipped we are somewhat on the low side in beating capacity with the consequence that we are seriously handicapped in the event of any curtailment in this department being necessary.

*See Statement III submitted by Controller of Printing, Stationery and Stamps in Vol. II.

In the middle of November, one of our beaters commenced giving trouble which continued during December. The beater roll has been removed and meantime we have fitted a smaller roll as a temporary measure, which, however, does not give nearly as efficient results as the original roll. It will therefore be seen that we have been endeavouring to maintain our production with insufficient beating power with the result that the paper produced during the period in question is weaker in tensile strength and folding endurance than that usually obtained with papers manufactured by us. The damaged beater roll is now being refilled, and will be ready for use within 10 or 12 days, after which the normal capacity of our beater house will be restored, and we shall again be able to maintain our output without affecting quality.

We much regret that owing to the temporary difficulties above mentioned, our supplies to Government over a period of about one month only have lacked qualities which had previously given the Controller satisfaction for nearly two years and during which time we have had very few complaints.

Paragraph 3.—We submit that the figures given by the Controller are not capable of being interpreted as showing deterioration. The papers quoted as showing lower tests now than at the time of supply are Unbleached quality papers. This is a lower class paper tendered at a cheap rate and is equivalent in quality to something between a mechanical wood paper and a cheap white printing. This paper is not intended for cases where permanence is a necessary quality, but for records of a transient nature. We believe for example that one of the chief uses of this class of paper is for telegraph forms. This paper is certainly not made particularly with a view to lasting qualities.

The variation in the tests now as compared with those at the time of manufacture could be accounted for in a number of ways. There is the variation due to the difference in climatic conditions at the time of test and which is capable of giving a large variation in the tests. The humidity of the atmosphere has an important influence. Another possible cause is small differences in the substance of the paper tested.

There can be no deleterious chemical action taking place in the paper other than the normal process of decay common to all papers. All papers, no matter what the composition of the original furnish, are subject to this process which is really caused by the slow oxidation of the sizing agent and eventually of the cellulose itself. The paper first becomes discoloured and then gradually, in the course of time, brittle, so that the paper crumbles away on handling. This decomposition takes place rapidly or slowly depending on the composition of the fibre constituting the paper. The least permanent papers are those containing mechanical wood, and at the other end of the scale are found the best rag papers. Generally speaking it may be said that the less pure the cellulose the shorter the life of the paper. Climatic conditions have an important effect on the lasting qualities of the paper. Paper will not stand up nearly so long in a tropical country as it will in the more temperate zones. Unbleached paper is not a pure cellulose. The process of cooking in preparing pulp for this quality of paper is not carried so far as it would be for the manufacture of a paper requiring for its base an easy bleaching pulp. A small portion of the encrusting material is left in the pulp. This material will probably be much more susceptible to oxidation and decomposition than a pure cellulose would be, though even in this case the process would be very slow and the effective life of the paper would cover a large number of years.

In the case of bamboo, there can be no question of the cooking process affecting the strength of the fibre. The digestion of bamboo in the process we use follows the normal wood pulp practice for the manufacture of sulphite pulp. The cooking of bamboo is not carried out in quite such a drastic manner as that resorted to by wood pulp manufacturers, and the acid used is weaker. There is thus less chance of injury to the ultimate fibre or possibility of the cellulose being injured or affected by too drastic a treatment. The treatment after the isolation of the pulp is that common to all paper making processes for the production of similar classes of paper and no chemical is used other than those used in general papermaking practice irrespective of the source of the fibre. The paper referred to by the Controller as the best he has

received is a better class white printing and was made almost entirely from bamboo. The Controller states that this paper shows no deterioration and as it was manufactured from a fully cooked bamboo and is therefore pure cellulose, it is entirely consistent and to be expected that no appreciable deterioration has taken place since the time of manufacture.

A further point in the comparison of Unbleached quality with the special white printing referred to is the difference in mechanical treatment. The bleached paper is more expensive and naturally receives a more thorough treatment in the beaters. This results in a better felted and more compact paper which is therefore less susceptible to the influences which cause decay in the paper. The unbleached paper is more porous and therefore more easily affected by climatic conditions.

The figures given are, as the Controller states, inconclusive and allowing for the various factors which affect the accuracy of the tests and taking into consideration that the papers showing a falling off under test are low grade papers and that the better class paper which was tested shows no such retrograde tendency, we may take as demonstrated that these papers are merely following the normal law, as stated above, to which all papers are liable according to the degree of purity of the stock from which they are manufactured.

Paragraph 4.—Herein it is inferred that the earlier supplies from the India Paper Pulp Company, Limited, contained a larger proportion of wood pulp. This is not the case. Wood Pulp has only been used in cases of temporary stoppage of pulp supplies from our digesters, *e.g.*, when a digester has been shut down for repair, and from time to time to help up to maintain our full production from the papermaking machine, when for any reason the supply of bamboo pulp was inadequate. It has never been used because the pulp we were producing was not suitable for the work in hand but simply as a means of obtaining maximum production. Usually we do not use wood pulp at all in the manufacture of unbleached papers, but it so happens that the unbleached printing supplied to the Controller in June and September last did not contain wood pulp. The consignment to which he refers is, presumably, that supplied in September last, and this supply contained wood pulp to the extent of 20 per cent. on an average. Part may have contained a little less, but this was the average over the delivery. In view of this and taken in conjunction with the fact that the supply of which the Controller speaks most favourably was manufactured almost entirely from bamboo pulp, the latter part of the Controller's letter indicates that the value of cellulose isolated from bamboo compares very favourably with that obtained from wood pulp from the point of view of permanency.

We submit that the facts which we have brought forward and the temporary conditions of manufacture which we have explained in this letter, and which were unknown to the Controller, show him to have been incorrect in his assumptions. We believe that with the facts before him the Controller will be willing to agree that there is nothing in the instances of paper of admittedly defective manufacture, to which he drew the Board's attention, which in any way detracts from the good qualities and permanency of bamboo as a paper-making material, and to withdraw the somewhat serious imputation against the qualities of paper made from bamboo contained in his letter under review.

THE INDIA PAPER PULP COMPANY, LIMITED.

B.—ORAL.

Evidence of Mr. R. H. MUIR, recorded at Simla on 4th July 1924.

The following statement was read by Mr. Muir to the Board with the request that it should be treated as part of the India Paper Pulp Company's case for protection:—

"The Industry was started as a direct result of Government encouragement and is the first real attempt to manufacture pulp and paper on a commercial scale of the best qualities entirely of indigenous raw materials.

The concern was started as a Private Company because until the process was proved a commercial success we should not have been justified in asking the public to subscribe.

The venture would, we believe, have been a financial success without protection had not:—

- (1) the cost of the bamboo far exceeded the estimates,
- (2) the difficulties encountered in bringing the Company to its present stage involved the Company spending far more than its original capital.

It has always been the intention of the promoters to make the Company a public one, inviting participation from Indian shareholders as soon as the future of the concern appeared reasonably assured. We believe that if reasonable encouragement is given to the industry, India will probably become one of the largest paper and pulp producing countries in the world.

In addition to what the India Paper Pulp Company, Limited has put out, much money has been spent in experimentation and unsuccessful ventures, and our successful process may be said to be the net present result of all this. We consider protection justified to an extent as to make India self-supporting and to correct the adverse conditions under which we are labouring to establish this entirely new industry of such great potentialities. These adverse conditions are due to climatic conditions and the present stage of industrial development in India, and also to the expense incurred in adapting expensive machinery to Indian conditions. Unless protection is given to counterbalance these disadvantages, the industry will be quite unable to earn reasonable returns and show prospects of profits that would attract Indian capital."

President.—Will you tell us what your position is in connection with the company?

Mr. Muir.—I am the Managing Director of Messrs. Andrew Yule & Co., Ltd., who are the Secretaries of the Company. May I say before you start, that we should like to feel that we are not responsible for any part of the communiqué* which was recently issued by the Board to the Press.

President.—I should like to explain the point of view from which we published that communiqué. It seemed necessary to explain to manufacturers that, if they were unable to meet our views as regards the dates for the submission of written statements and the taking of oral evidence, there must inevitably be delay in completing the Board's enquiries, and the sufferers from that delay would be the manufacturers themselves.

Mr. Muir.—We have realised all along that we were almost in the position of plaintiffs asking for something from the Court, and we realise too

* Dated June 26th.

that we have got to accommodate our convenience to that of the Board. Our convenience is completely secondary to yours. I would like to be assured that no action of ours had anything to do with the communiqué.

President.—It would be a little invidious if we pointed out the particular firms who were not responsible for the delay, because the public would be able by a process of exhaustion to ascertain which firms were in fact responsible.

Mr. Muir.—We were taking a great deal of trouble to meet your wishes, and I do not like it to be thought that we were in any way the cause for the issue of the communiqué.

President.—It was not by way of complaint that the Board issued the communiqué, and it was not aimed at particular firms.

Mr. Muir.—The action that occasioned the issue of the communiqué would not act to the advantage of our cause.

Mr. Ginwala.—Even so it has not really served the object, because all the mills have not come. We have some reason to complain because the result is that all proceedings in connection with paper have been put off for a month or more, the consequence of which is that the cold weather has been reduced by a month or more during which we are supposed to tour and make our investigations and submit our Report. You can see what it means—it will probably be a month before these proceedings can be published after the preliminary evidence has been taken.

Mr. Muir.—I fully appreciate your point of view. I am in sympathy with it. Only I do not want to be the cause of it.

President.—It is at any rate clear that your firm has appeared to give evidence on the first date fixed by the Board for your evidence.

In answer to Question 5 you say that your capacity for pulp is 200 tons per month and for paper 240 tons per month. That means that you cannot at present keep the paper plant fully employed with pulp of your own manufacture?

Mr. Muir.—Not quite.

President.—Then if you desire to get the maximum output of which your plant is capable you must purchase a certain amount of pulp?

Mr. Muir.—Yes.

President.—Is it purely for that reason that you purchase pulp at present?

Mr. Muir.—Absolutely.

President.—That will not be a permanent feature of your manufacture?

Mr. Muir.—No. Ours is an entirely new process, and we are the first firm in India to manufacture paper from bamboo. It has been experimental to a great extent, and we find that the pulp plant as laid down is not quite of the capacity that we expected it to be. That will be rectified of course if and when we extend our plant.

President.—Turning now to Question 7, you tell us that it is not possible to give any one of the various factors that you have mentioned an absolute preference, and that you have to take into account raw materials, markets, labour supply and a plentiful supply of water. I take it this means that the manufacturer has to balance one factor against the other in selecting a suitable site for a paper mill. The important point here is whether the mill should be established in the vicinity of the raw material. Naturally you lay considerable stress on the great abundance of bamboos in India, and you have quoted what Mr. Raitt and Mr. Pearson have said on the point. There can be no question that in one sense the supply of paper making materials is practically unlimited in India. But it is rather a different question to what extent they are commercially available. One very important point that has to be considered is to what extent bamboos which are at a great distance from any source of power can

be utilized, if the paper mill must be established within easy reach of coal, because that factor might rule out a considerable proportion of the raw materials otherwise available.

Mr. Muir.—Are you taking entirely a pulp mill or a pulp and paper mill combined?

President.—I recognise that both these aspects have to be considered. Let us take a combined pulp and paper mill first.

Mr. Muir.—I think almost the first thing I would like to put down—which you have not really touched on individually while you have touched on other considerations—is the question of supervision, because we lay very great stress on supervision.

Mr. Ginwala.—Do you mean office supervision or expert supervision?

Mr. Muir.—Office supervision, having the seniors of the firm in fairly close touch with the manufactory. In addition, of course, to coal there are a variety of other considerations. There is the question of secondary raw materials: there is the question of labour. As we put our mill we have a nucleus to start on of expert labour, and then there is the question of repairs, stores and so on. Over and above that there is the question of marketing paper and, all things considered, I am inclined to think that if we were erecting our mill again we would re-erect in the same place.

President.—It is not so much that I am criticising your choice of a mill-site, but rather that, if mills must be near the coalfields, it may restrict very considerably the extent to which the resources of India are **practically available**. It might be impossible to utilise the enormous quantities of bamboos available in Burma.

Mr. Muir.—It is difficult to give you a reply to that, but there have been two or three attempts to utilise the Burma bamboos in the manufacture of pulp, and they have all had to be abandoned for want of money.

Mr. Ginwala.—It is not the fault of the material.

President.—What I am raising is a broader point than that. Assuming for the moment that 4 to 5 tons of coal must be used to produce a ton of paper, the cost of manufacture in a paper factory in Burma might be prohibitive.

Mr. Muir.—I am of opinion that whether it would be a question of bringing coal to bamboos or bamboos to coal, it would be possible to utilise ultimately the bamboos in Burma. That is the opinion you want to have, I think.

President.—I am glad to have it but the matter requires closer examination. It is quite easy in one sense to show that there ought to be a very considerable paper making, or at any rate a pulp making, industry in India, on account of the large quantities of bamboos that are available, but when we are examining the question whether Government should support the industry at the public expense, then a general statement is hardly enough. The matter needs to be investigated in detail.

Mr. Muir.—We have not experimented with bamboo in Burma and as far as Burma goes we are unable to help you. You mention coal as a particularly important item. There is also the question of whether wood would be available in Burma—into which I have not personally gone—which might tend to neutralise the disadvantage of coal.

President.—There is another possibility of course. You use electric power in your factory but the electric power is produced from coal. To what extent could you reduce your coal consumption supposing you were getting your power from a hydro-electric source or from a public supply company? That is an important question. It might be that hydro-electric power could replace a considerable proportion of coal used. On the Malabar coasts, for instance, hydro-electric power might be quite feasible.

Mr. Muir.—I cannot give you that figure here. When I get back to Calcutta I shall send an answer to you.*

* Statement VIII, Enclosure para. 1.

President.—It seems to me a very important question. We have been examining yesterday and this morning a representative of one of the companies depending chiefly on the use of grass. He frankly admitted that, with the use of grass, no great development of the paper or pulp industry in India is possible. The bamboo proposition is far more interesting from the point of view of national interests. Here there are possibilities of an immense expansion which would be extraordinarily important. On the other hand it wants looking into from the point of view, which I have been trying to put to you and to which I attach great importance, namely to see to what extent these bamboos are practically utilisable.

Mr. Muir.—Are you having in front of you as one of the witnesses Mr. Kashi Ram? He has a special grass proposition, and I understand from him that hydro-electric power enters very largely into his scheme.

President.—Mr. Kashi Ram of the Punjab Paper Mills? They have sent in a written reply, but they are not able to give oral evidence just now as their expert is not here; but, even so, if we had a figure as to the extent to which the coal requirements could be reduced in the case of paper made from grass, it still does not cover, as you are using a different raw material and working a different process. It is important for us to ascertain what quantity of coal is indispensable for the manufacture of paper from bamboo.

Mr. Muir.—We are using the sulphite process. The Titaghur Mills, when they started the purchase of their plant for Burma, were, I believe, confident that the soda process would make good pulp out of bamboos, so that the soda process may have a great bearing on the manufacture of paper from bamboo. Would you also like to have information from our managers about the possibility of utilising wood for the balance of the heat required?

President.—It would be very useful.*

Mr. Ginwala.—Does the use of the sulphite process require less coal than the Soda process?

Mr. Muir.—I am afraid I cannot tell you that.

Mr. Ginwala.—The reason why I am asking you this is this: as it happens your consumption of coal is at least a ton better than the others. It may be due to your equipment?

Mr. Muir.—We have got a completely modern plant of course.

Mr. Ginwala.—Others also claim that much of their plant is modern. But might that have anything to do with the different process?

Mr. Muir.—That again is a thing which I cannot tell you offhand. I have no experience of the soda process.

Mr. Ginwala.—Yours is a combination of the soda and sulphite processes?

Mr. Muir.—Ours is a modification of the sulphite process.

Mr. Ginwala.—I would like to know if the process had anything to do with the quantity of coal used.†

President.—Supposing the manufacture of pulp was taken up as a separate business from the manufacture of paper, it seems likely that the pulp would be exported, because it is probable that, if the bamboo proposition turns out a success in a comparatively short time, most of the existing paper companies will commence making their own pulp from bamboo, so that there will be only a small market in India for manufactured bamboo pulp.

Mr. Muir.—Our intention originally was to manufacture pulp only, but then the uncertainty of the market for pulp made us put in a paper machine.

President.—I think it was prudent. It is a big thing to put pulp made from a new material on the world's market in competition with the wood pulp made in other countries.

* Statement VIII, Enclosure para. 1A.

† *Ibid* *Ibid* para. 2.

Mr. Muir.—You have got at the same time a limited number of consumers too.

Mr. Ginwala.—There is a demand for about 10,000 tons of pulp in India?

Mr. Muir.—That is about it.

President.—The prices paid at present for wood pulp would not be very remunerative for you.

Mr. Ginwala.—That is why they have asked for the protection of pulp.

President.—Take it on the basis that the paper and pulp need not necessarily be manufactured in the same place. That is common in the industry, e.g., in Scandinavia.

Mr. Muir.—Yes, in Scandinavia and Canada.

President.—How far would that be possible or advantageous in Indian conditions? For instance take your own case. How would you have stood if, instead of transporting your bamboos from Chittagong, you had put up your factory there and brought to Naihati the pulp only that you required to make paper there?

Mr. Muir.—Balancing up the *pros* and *cons* it would not be as advantageous as the present system.

President.—I grant that there may be special reasons during the experimental period to have the works close to the managing agency, but later on, when the process has been fully established and worked out, it may be much more possible to have the pulp mill near the raw materials.

Mr. Muir.—On the other hand one has got to consider also the possibility of bringing the cultivation of the bamboo to the factory.

President.—I am coming to that in a moment. Are you prepared to give an opinion on the question how far, under Indian conditions, it is possible or advantageous to establish pulp manufacture in the immediate vicinity of the raw materials although the paper mill is near the coalfields?

Mr. Muir.—May I take the question like this: "Do you consider that it would be more advantageous to you, when the industry is developed, to establish your pulp factory at Chittagong and your paper factory somewhere near Calcutta?"

President.—That would cover it, but I am not asking you for the reasons which led your firm to put up your factory at Naihati. What I have put is a general question.

Mr. Muir.—We are still feeling our way to a great extent. We are experimenting and we have been successful up to a point, but we have not experimented far enough to enable me to give a definite answer to your question, I mean a confident answer, but I should be inclined to think that the present arrangement would be more suitable.*

President.—Even supposing that you were manufacturing a large quantity of pulp for sale? Let us suppose that one quarter of the pulp you manufacture you are going to make into paper yourself and the rest you are going to export.

Mr. Muir.—In the case you have mentioned it might be more economical to have the pulp factory nearer the source of supply.

President.—One of the factors that would come into that would be the quantity of coal required in the pulp making process as compared with the quantity of coal required in the final paper making process.

Mr. Muir.—A larger quantity of coal would go into the pulp making process and I think it is relatively well known that paper making is a simpler process.

President.—It is a much simpler and better known process than the new process you are using for making pulp from bamboo. Are you considering the possibility of establishing bamboo cultivation in the vicinity of your mill?

* Statement VIII, Enclosure para. 3.

Mr. Muir.—When I said vicinity I meant within a hundred or two hundred miles. I was thinking more of up the river. I understand there are big bamboo forests at Murshidabad and bamboo is practically a native of Bengal. We can buy bamboos considerably cheaper than the ones we used, but up to the present we have not made such a satisfactory job of manufacturing from them as we have from Chittagong supplies. There are two possibilities open: one is that the cultivation of suitable bamboos may prove possible and more economical in our vicinity than importing them from Chittagong, and the second is that we may be able to utilise the local bamboo and make it an equally successful job of manufacturing from it.

President.—Bengal is a densely populated area, and the total supply of bamboos from the land you could devote to their cultivation at a reasonable cost would not be large.

Mr. Muir.—We are at the present time able to buy bamboos—I mean bamboos less suitable for our manufacture—very considerably cheaper than we import from Chittagong.

President.—If you were buying in large quantities, you might find the price go up pretty considerably.

Mr. Muir.—We have contractors who are prepared to supply us with 2 or 3 thousand tons at the present time. I realise fully as you say that Bengal is densely populated, but bamboos except for certain uses have practically no market. The class of bamboo that we use is not regarded really as of much use and it is possible that even in Bengal there are lots of uncultivated spots which might be utilised for its cultivation when there is a market for it.

President.—It might be possible, but until it has been demonstrated in some way I should feel doubtful about it myself.

Mr. Muir.—We are making experiments along that line, but it is too early for me to give any answer. At the present moment we are devoting ourselves to see whether the bamboos we can utilise can be grown locally at a reasonable figure. But as I say the only answer that I have got to your question is that we have been able to get an assurance from our contractors that they are prepared to supply 2 or 3 thousand tons of bamboo at a reasonable figure.

President.—Even supposing it was so, that does not solve the whole question. What it would come to is this that you would be getting a little more use out of the soil of Bengal, but you would not be utilising the enormous reserves of material which are at present going to waste in more out of the way parts.

Mr. Muir.—We are hoping to get considerable reductions from our reserve. We have not the figures yet to prove that we shall. The figures which led us to go there were given chiefly by the Government experts. If we could attain these figures we should not be asking for protection at the present time and should be able to manufacture at a profit. We are experimenting there side by side along with experiments in Bengal. In that connection I have got here a note, more or less a history, of our taking up the concession in the reserve, and in it you will find that, when the Government expert went with our representative, it was estimated that the cost per ton landed of bamboos would be Rs. 12-2 a ton at Chittagong. At that price we would be able to manufacture at a good profit to-day.

President.—That is just one of the matters in which the predictions of experts are apt to be falsified, because you yourselves introduce a disturbing factor into the district which upsets all the calculation about the cost of labour and so on.

Mr. Muir.—It is rather my feeling about that which makes me hesitate very much to give absolutely definite answers to your question as to what the effects would be of putting a pulp mill in the neighbourhood of the bamboos.

President.—In answer to Question 8 you have given the percentages of your outturn of different kinds of paper and you say "On account of experimental manufacture, previous records would not be of value, and in our opinion, future records will show increased percentage in all superior qualities to the exclusion of Badami and Brown." What is the reason for that?

Mr. Muir.—As we advance we have fewer and fewer experimental failures, and experimental failures (usually in the cooking of the bamboos) mean more Badami and Brown. We can make (and the Government experts will bear us out) as fine a paper as any made in England, and as there is very little saving, it clearly does not pay us to make inferior qualities.

President.—Does it not come to this that Badami and Brown can be made from cheaper materials, hemp, jute and so on? So to speak bamboos should naturally be used for making better class papers. But there will always be a certain proportion of rejections amongst the pulp made from bamboos, and from these you will always make a certain amount of Badami and Brown.

Mr. Muir.—We have to make some Badami at present because many of the dealers insist on getting it, but the bulk of it comes from experiments. In time we do not expect to make any.

President.—Apart from what your factory may do in the future, supposing the manufacture of paper was firmly established in the country, do you think that the Badami and Brown would usually be made of other materials?

Mr. Muir.—It is quite possible.

President.—Is it because paper can be made more cheaply from them on the whole?

Mr. Muir.—I understand there is a great difference between making Badami and better class of paper by other mills which use the soda process and ourselves. We use the sulphite process.

President.—If you have to use this particular material and this particular process, then you have got to manufacture better quality of paper?

Mr. Muir.—It pays us better.

President.—In answer to Question 10 you say, that the Indian manufacturer has to make a larger variety of papers than a manufacturer in a Western country. Do you think that state of things is likely to continue for a considerable time?

Mr. Muir.—Of course the evil lessens with the increase of your plant. Supposing you have got to make 4 sorts of paper. It is much less of a setback to your output if you can make them from two or four machines than if you have to make them out from one. That is a partial answer to your question.

President.—The question is whether the Indian bazar dealer's character is likely to be modified in a short time, or whether he will go on insisting that he comes to a manufacturer for one kind of paper, he must be charged for other kinds of paper by the same manufacturer.

Mr. Muir.—If the industry develops and one mill specializes in a particular kind of paper and another mill in a different kind, he will find that it pays him better if he buys from different mills. I expect he will always have to get different qualities as at present.

President.—In the second half of the answer to this question you say "the manufacturer has a severe handicap to face on account of the very large proportion of light weight papers demanded in this country." What occurred to me was that, if the foreign manufacturer does not manufacture these lower grades, then these papers are exempt from foreign competition.

Mr. Muir.—But in practice we do not get a proportionately higher price.

President.—Supposing you tried to get it, is internal competition sufficient to keep down the price, or would consumers instead of using the light weight use the heavy weight? Or is it purely governed by custom?

Mr. Muir.—I think it is largely governed by custom. We do get a better price than the imported dealer for our paper as a whole, and it is possible that is one of the reasons. There are other reasons as well.

President.—I understand that there is a sort of customary difference in price between imported and Indian made paper.

Mr. Ginwala.—I would like to know a little more about the history of your works, as to how you started them and so on.

Mr. Muir.—The industry really started as a result of Government encouragement and as the first real attempt to manufacture pulp and paper on a commercial scale from bamboos entirely out of indigenous materials. The concern started with a private company because, until the process proved a commercial success, we could have had no justification in asking the public to subscribe. The venture would already have been financially successful had not (1) the cost of bamboo exceeded the estimate, and (2) the difficulties encountered in bringing the company into its present stage, involved it in spending far more than its original capital. It was always the intention of the directors to make the company a public one, inviting participation from Indian shareholders as soon as the future of the concern appeared reasonably assured. We believe that, after reasonable encouragement is given to the industry, India will probably become one of the largest paper and pulp producing countries of the world. In addition to what the India Paper Pulp Company has spent, much money has also been put in experimental and unsuccessful ventures, and our successful process may be said to be the result of all this expenditure. We consider protection justified only to an extent to make India self-supporting.

Mr. Ginwala.—What I wanted to know is how you got on to this business.

Mr. Muir.—What directed our attention to it first of all were Mr. Raitt's, and subsequently Mr. Pearson's, experiments. Government appointed a cellulose expert and a forest economist, I understand, with a view to finding out what utilisation could be made out of India's forests. It was largely as a result of these gentlemen's investigations and the figures they put forward that we went into this matter.

Mr. Ginwala.—Did you, with reference to the conditions of the days in which the reports were made, find these figures to be accurate?

Mr. Muir.—Quite inaccurate.

Mr. Ginwala.—That is what we want to know.

Mr. Muir.—When our representative went round the Kasalóng Reserves in 1919, it was estimated that the total cost per ton of suitable bamboo landed at Chittagong would be Rs. 12-2 per ton.

Mr. Ginwala.—They also worked out certain costs of other things, did they not?

Mr. Muir.—Mr. Pearson worked out figures entirely on the soda. I understand he put up an experimental soda boiler in Dehra Dun process is quite different and so I cannot really compare them at all.

President.—You were not acting on his calculations in the matter?

Mr. Muir.—As regards the utilisation of the bamboo we relied on their figures for the costs, but we depended entirely on the process which was evolved by Mr. Jardine of Penicuik and which has been, after a series of experiments, completely successful.

Mr. Ginwala.—Apart from the question of cost, would you accept as correct or not their treatment of the question from the forest point of view, that is, as to the behaviour of the bamboo, ways of its growth, its abundance and so on?

Mr. Muir.—Do you mean the availability of the bamboo?

Mr. Ginwala.—Yes.

Mr. Muir.—Our Reserve being a very big area we have not the means of estimating it. It is a very big area, I think about 420 square miles, and we have only touched the fringe of it, but we have no reason for doubting their estimates.

Mr. Ginwala.—You know, one of the things that is urged against the bamboo is its flowering habit.

Mr. Muir.—In our reserve, if we treble or quadruple the size of our plant, we should be able to be independent of flowering on account of the various different species which we are able to utilise.

Mr. Ginwala.—What Messrs. Raitt and Pearson suggested was that cultivation should be so arranged that you could always get over the difficulty. Do you accept that as a general proposition?

Mr. Muir.—As far as I can tell you, in our area we believe we have sufficient of the other varieties to tide us through when our main staples are flowering. If we were cultivating we could arrange it so that we should not be inconvenienced by flowering, so that we should not have to close down our works on that account.

Mr. Ginwala.—We are investigating the question from a broader point of view. Supposing the industry has to be established in this country, the country has got to make a certain amount of sacrifice. We have got to consider whether it is worth while making that sacrifice.

Mr. Muir.—Would you please amplify your question?

Mr. Ginwala.—We have only two authorities on this—yourselves and the Government experts—as to the possibility of bamboo, and we want to check the one by means of the other. I want to know whether you really think that the forecast made by the experts is reasonable and is one that can be realised as to the availability, suitability, accessibility and the like of the bamboo.

Mr. Muir.—As far as we can say, yes.

Mr. Ginwala.—The Government of Bengal say this forest was estimated to yield per annum 240,000 tons of bamboo. They say that the estimate is optimistic. You go up to 4 or 500,000 tons. Can we accept your estimate as a reason for supposing that for the industry as a whole bamboo is a sufficiently good raw material?

Mr. Muir.—After allowing for possibilities in connection with flowering and so on I maintain that there is sufficient bamboo in Bengal to support a very large industry at a reasonable cost.

Mr. Ginwala.—When you say Bengal you mean the Chittagong Hill Tracts?

Mr. M.—The Chittagong Reserves, and I know a little about the Silchar and two areas also.

Mr. Ginwala.—But the Government of Bengal tell us in this letter that, except in the Chittagong Hill Tracts, there is no suitable supply of bamboo for the manufacture of pulp in Bengal.

Mr. Muir.—I do not think that is an estimate in which they are quite correct. To-day I can make a contract for 3 thousand tons of bamboo to be delivered at our mill. But perhaps that is a quantity the Government of Bengal would disregard in their reply.

Mr. Ginwala.—That would be from people who really take them for domestic use and sell them. People want to use a certain quantity of bamboo from all forests?

Mr. Muir.—Yes.

Mr. Ginwala.—There is always a certain quantity of bamboo which you can get?

Mr. Muir.—We cannot get the *dolu* bamboo that is used for floating down the grass.

Mr. Ginwala.—That is the difficulty. Does it grow anywhere or does it grow in particular parts of forests?

Mr. Muir.—It grows in the same parts as the other species.

Mr. Ginwala.—Can you prevent people from taking the other species?

Mr. Muir.—You mean the local inhabitants?

Mr. Ginwala.—Yes. In Burma that was the real difficulty. People would insist upon getting their bamboo from the most accessible part naturally.

Mr. Muir.—We have not found that a great difficulty so far, but of course the quantities we have taken are so small that probably we would not have minded it to some extent.

Mr. Ginwala.—With regard to the location of your mill I could not really follow why you put your mill at Naihati.

Mr. Muir.—You cannot give figures to prove the advantages of the location. You have got to balance in your own mind your position as regards your raw material, your position as regards coal and so on.

Mr. Ginwala.—You are discussing the question from an abstract point of view. I want to know why you followed this course.

Mr. Muir.—We had to balance all these considerations and we thought the site where our factory is the most suitable place. If you tell me what sort of an answer would meet your question, I might be able to give that.

Mr. Ginwala.—It is very difficult for me to say. Some people have said that they are in very close proximity to the coal; they use 5 to 6 tons of coal for a ton of paper, and do not think that the freight on the raw material would be much greater than the freight on the coal.

Mr. Muir.—In the case of the Bengal Paper Mill at Ranigunge I think the freight on most of their grass was cheaper in addition to their being at the coal pits' mouth.

Mr. Ginwala.—Would you put all the things together and say here are so many advantages and balance them against the disadvantages? Suppose you were starting a mill now—forget you are at Naihati—on what basis would you select your site?

Mr. Muir.—I am sorry if I am being stupid about it, but I do not quite follow.

President.—We are trying to enlighten our own minds.

Mr. Muir.—What you are trying to do is to boil the question down into figures. I think that it is almost impossible to boil down everything to figures.

President.—If I were taking part in the decision I should certainly ask for a great many figures as regards freight and see just what it meant. If I put up a factory at Chittagong I should have to carry my coal there which would cost so much, and *vice versa* if I erected a factory at Calcutta I should have to carry my bamboos from Chittagong. I don't say that you were wrong in your decision, because you are using less coal than some of the other mills.

Mr. Muir.—Then you have a certain number of other considerations which I don't think you can boil down to figures.

President.—That may be so.

Mr. Ginwala.—There are various authorities on that point. Many of them say that pulp must be manufactured in proximity to the raw material. Mr. Sindall is one of them who says that. In foreign countries, pulp is manufactured in close proximity to the raw material. You have not done that, have you?

Mr. Muir.—No.

Mr. Ginwala.—We want to know why you did not do it if that is taken as a principle.

Mr. Muir.—As I said to the President, it might be equally or more advantageous, if we were manufacturing pulp only and manufacturing it for export largely, to put down the plant at Chittagong.

Mr. Ginwala.—But at that time you did contemplate manufacturing pulp only?

Mr. Muir.—Yes, but not for export. It was entirely for local consumption.

Mr. Ginwala.—Does it make much difference?

Mr. Muir.—I think so because you see you have got to transport all your pulp then, *via* Calcutta. There are only two mills which could use our pulp. One is the Titaghur mill and the other is the Bengal Paper Mills, and you have got to transport your pulp from Chittagong, where the pulp would be manufactured, to or near Calcutta, so that the disadvantage really only boils down to the difference between transporting your pulp and baling and transporting bamboos, as we do.

Mr. Ginwala.—I suppose that you have seen the report of Mr. Raitt on the Cuttack project?

Mr. Muir.—No, I have not.

Mr. Ginwala.—It is a pity you have not seen it. There are some things in it which might interest you.

Mr. Muir.—I would like very much to study it.

Mr. Ginwala.—In any case Mr. Raitt says there that it would be a better proposition to manufacture pulp at Cuttack and take it to Calcutta or Rangunge.

Mr. Muir.—Mr. Pearson also says a similar thing in his book entitled "Utilisation of Bamboo."

Mr. Ginwala.—Yes, I know that Mr. Pearson is of the same opinion. Mr. Sindall is also of the opinion that the exploitation of any new fibre will involve a recognition of the fact that the raw material must be converted into pulp at or near the place where it is most abundant. You have departed from that principle, and therefore I thought that there might be some explanation.

President.—Let me put it in another form. In Scandinavia all the firms that manufacture pulp for export do so in the immediate vicinity of pine forests, but it is quite possible that in some material respects the conditions are different in Scandinavia. In Scandinavia there is plenty of hydro-electric power available and as far as I know in Chittagong there is no electric power. That is the kind of thing we are trying to get at.

Mr. Muir.—I should like to hark back to the question of supervision which is more important in this country than it is in a place like Scandinavia or any other European country.

Mr. Ginwala.—That is because a big firm like yours goes in for so many different industries. The Scandinavian firm would on the other hand manufacture pulp only.

Mr. Muir.—The firms out here have to consider the very expensive question of having a head office, at any rate for a number of years. Until they trained the Indian labour to take the place of Europeans, that expensive office would more than counterbalance placing their pulp factory at the sources of supply.

Mr. Ginwala.—The thing is that yours is a new industry. You are pioneers. Yours is a very big firm. The question is whether, if many people adopted the same principle, it would be really a good thing.

Mr. Muir.—Messrs. F. W. Heilgers & Co. are a very big firm and they have not yet been able to complete the experiment. They went on the opposite tack.

Mr. Ginwala.—Are they going to manufacture paper and pulp together?

Mr. Muir.—I understand that they are going to manufacture pulp there and are going to transport it to the factory at Titaghur.

Mr. Ginwala.—That would be in accordance with the principle.

Mr. Muir.—Yes, it would be in accordance with the recognised authorities.

Mr. Ginwala.—They are not able to carry it through.

Mr. Muir.—I understand that is a question of money.

Mr. Ginwala.—But you yourself, I take it, would not do it. You have said just now that you would do the same thing if you were to start this business over again.

Mr. Muir.—Yes. To meet the President's theoretical question, whether if we were going to export a large proportion of our pulp we would not establish ourselves near the source of supply, that would require fresh consideration of the whole circumstances and working out figures which might take a month or two.

Mr. Ginwala.—But you would not follow Mr. Raitt's suggestion?

President.—I would like to put this to you. When we go to Dehra Dun we shall ask Messrs. Raitt and Pearson for their reasons. If you have got good reasons on the other side, we would like to be able to put those reasons to them. You simply say that you were right. If we put that to them, they won't be able to say anything at all.

Mr. Muir.—Any opinion that I may give or that they may give will be entirely theoretical. The only way to do it is by actual proof. I hope that Mr. Alwar Chetty of the Carnatic Paper Mills will be working soon on the other tack to us.

President.—Do you know the reasons why the system has developed in Europe or America? The manufacture of pulp in those countries goes on at different places from those where the manufacture of paper is carried on. You must have some sort of information.

Mr. Muir.—I think that their raw material is less easily handled. We bale up our bamboos and it does not make a very bad freight. Their raw material would be exceedingly difficult to transport as raw material to places where paper is made. I take it that it is possibly one explanation.

President.—That is a perfectly reasonable explanation if it is a case of moving whole pine trees. We are not getting much further. If on thinking it over anything further on the subject occurs to you, we shall be grateful if you can write to us.

Mr. Muir.—I would like to think it over.* I might be able to write something about it. It is impossible to come up here armed on all points. I have not thought this particular aspect over seriously.

Mr. Ginwala.—The reason why we are particular about this is if India is going to produce a large quantity of pulp, it can only be for export purposes. In that case, is it possible to have your factory at or near the source of supply of your raw materials?

Mr. Muir.—You have got a very considerable room for expansion in the country itself.

Mr. Ginwala.—Not very much judging by the present figures. They do not come to anything on which you can build up a huge industry.

Mr. Muir.—You can build up a pretty big one.

Mr. Ginwala.—In reply to Question 9, you say "Indian raw materials and Indian demand create most favourable conditions for the manufacture of white printings and coloureds, book papers, engine sized and ledger papers." Is there any really very great demand for these in the country? Can you say what the demand is?

Mr. Muir.—The best guide that we can give you is our answer to Question 8 showing the percentages of our total output.

* Statement VIII, Enclosure para. 4.

Mr. Ginwala.—The reason why I am asking you is this; You are competing more or less in the same class of paper in which the other Indian manufacturers are competing against the foreign manufacturer. Then the question arises whether there is really room for the expansion of the market if you are all going to make the same thing.

Mr. Muir.—We can manufacture anything that is demanded in this country. We can manufacture any paper provided there is a sufficient demand. The only qualities that cannot profitably be manufactured for some time to come are newsprints.

Mr. Ginwala.—There are various other things which you don't manufacture and which these other people don't manufacture likewise. Take the case of packing paper and also printing paper which includes a considerable quantity of newsprints. Newsprints you cannot manufacture, but you can manufacture packing paper?

Mr. Muir.—Yes.

Mr. Ginwala.—Then there are envelopes.

Mr. Muir.—In that case it is only a question of cutting up. We can manufacture the paper. One envelope mill is in course of construction or has been constructed.

Mr. Ginwala.—When the paper manufacturers say that 55,000 to 60,000 tons is imported, there is a considerable quantity which we cannot ascertain, which cannot be made in this country or which people are not disposed to manufacture.

Mr. Muir.—I can say that we can manufacture any sort of paper provided there is sufficient demand for it. You can divide the classes of paper that we would not manufacture into newsprints and specialities. Specialities would come to about 500 tons a year.

Mr. Ginwala.—There is no question of your being able to manufacture, but you should be able to manufacture at a reasonable cost to capture the market.

Mr. Muir.—We would be able to manufacture at a relatively reasonable price where there is a reasonable demand. If there is a demand for a certain very special kind of paper for one ton, it naturally does not pay to make it.

Mr. Ginwala.—What do you call a reasonable demand? I am not thinking of small orders at special rates. Supposing I was to place a special order, so that I should get ordinary rates, how big should it be?

Mr. Muir.—Completely special which nobody used to manufacture!

Mr. Ginwala.—If I give you a special order, you want a special price, is not that so? What is the smallest order that you can take without asking for a special price?

Mr. Muir.—I should say five tons.

Mr. Ginwala.—That is not a very big quantity. With regard to Question 11 about your process: have you adopted it because it lent itself better to the utilisation of bamboo or was it due to its cheapness?

Mr. Muir.—It has always been said so far that the sulphite process was impossible for bamboo and impossible in a tropical country. The sulphite process produces a superior pulp. It is not a question of cheapness. Ours is the first sulphite process that has been possible for bamboo in a tropical country.

Mr. Ginwala.—You did not take it up as a challenge to expert opinion. You must have taken it up as a commercial proposition.

Mr. Muir.—Yes, the sulphite process makes a very much better pulp and is, I believe, more economical than the soda process.

Mr. Ginwala.—You say that it is a success.

Mr. Muir.—Yes.

Mr. Ginwala.—If it is a patent process, it does not lead to the expansion of the industry. Are you prepared to give licenses for the use of your process?

Mr. Muir.—We have license from a parent company. That is a matter that will have to be referred to them.

Mr. Ginwala.—The position resolves itself into this. Other experts recommended the soda process. You have discarded it. You are the only person manufacturing pulp from bamboo. You are using a special process which makes it a success. Now nobody else can work it without a license. Will the industry be able to expand under such conditions?

Mr. Muir.—The question of giving a license I imagine will be a question of terms. It would have to be referred to the parent company from whom we hold our license but, whether they give a license or not, surely it should not check the industry because the manufacturers who use the soda process are firmly of opinion that they can make bamboo pulp successfully.

Mr. Ginwala.—So far nobody has made it on a commercial scale.

Mr. Muir.—Nobody has got to the manufacturing stage at all apart from us. It has not been a question of failure of a process. It has been a question of money.

Mr. Ginwala.—I am asking you about the process. The experts have said that the soda process is a good process. You have not adopted that process. These other people who recommend the soda process have not manufactured pulp on a large scale by that process. Now supposing we were going to recommend protection to this industry on the basis that bamboo is a good raw material, which process should we rely on?

Mr. Muir.—I am not in a position to bind the parent company from whom we hold our license, but I am of opinion that they would be willing to grant licenses on terms.

Mr. Ginwala.—Will the terms be reasonable?

Mr. Muir.—They would be reasonable from their point of view.

Mr. Ginwala.—Since I have read this answer I have felt that if the success of the industry depends on a patent process, it is not going to be without difficulties.

President.—There are two questions I would like to ask you in this connection. Is the process patented in India?

Mr. Muir.—Yes.

President.—There is, I believe, legislation in England under which the holders of patents can be compelled to grant licenses for manufacture. As far as I recollect, there is no legislation to that effect in India, but I think that, if this question is brought before the Legislature, there would be a strong movement for introducing legislation of that kind. We want you to appreciate the importance of the matter. After all protection will be given, if it is given, in the national interests, and these will not be served if the manufacture is to remain in the hands of a single firm. Unless there is a wide expansion, a growing utilisation of India's natural resources, the object of protection is not secured. For this reason I think it is probable that there may be a strong feeling in the country when the matter comes before the constituted authorities.

Mr. Muir.—I think that it would be quite foreign to the reputation of our firm, if we were to hinder the national development of the country in any way.

President.—I am not suggesting that.

Mr. Muir.—We should be if the patent were in our own hands. It is in the hands of people at Home but, if we were to advise them or help them not to give out licenses, we should be hindering the development of the country.

Mr. Ginwala.—We don't say that you would. Our point is this. Here is India. It has got very fine raw materials in its possession, but it cannot make any use of them unless the license can be had. The patentee is

not an Indian subject. He is not subject to Indian legislation. The position of the country and the Board will be very difficult. We don't say that you would do anything which will increase the difficulty, far from it. In making any recommendations we must find that this industry had raw materials which could be used commercially, but if this process is the only process by which the industry can be successfully carried on, we must qualify our recommendations.

Mr. Muir.—You would be premature in saying that.

Mr. Ginwala.—We do not know. The moment that it is a patent that is used, it means it is a more expensive process than a process which is not a patent process.

Mr. Muir.—The people who developed that process are entitled to some benefit on their discovery, and I do not think that from my knowledge of the parent company, you will find them in any way unreasonable. Is that a satisfactory answer?

Mr. Ginwala.—As far as it goes.

President.—The point would arise that after all, if once protection is given, it is given, and then it is too late so to speak to make terms. It seems to me that the parent company will have to face the possibility that the Legislature would insist on legislation being simultaneous as regards the power to compel a patentee under certain conditions to grant licenses.

Mr. Ginwala.—There is one other alternative, viz., that we should be satisfied that the other process, I mean the soda process, was equally good.

Mr. Muir.—Supposing protection was granted, would not the legislation be held up until it was found whether there were other processes suitable?

President.—Provided all the other various conditions are satisfied. Where one process has been demonstrated as being adequate, there is no reason for waiting. I gather from what you say that you want to go ahead.

Mr. Muir.—We will go ahead on our own lines.

Mr. Ginwala.—You have spent a good deal of money on experimenting. Are you prepared to express any opinion on the soda process?

Mr. Muir.—Our experiments have been conducted on the sulphite process only.

Mr. Ginwala.—You never attempted the soda process?

Mr. Muir.—No.

Mr. Ginwala.—It seems to me that you have done well. You started with the official reports in which there is no reference as far as I remember to the successful application of the sulphite process.

Mr. Muir.—We only relied on them for raw material. The people who evolved the process knew more as regards the manufacture.

President.—Am I not right in saying that the process was patented before the war?

Mr. Muir.—I am not quite sure about that. I think it was.

President.—If so, it would indicate that the exploitation of this process was part of the original idea all along?

Mr. Muir.—Yes.

President.—I imagine from the fact that the process is patented in Mr. Nelson's name as well as in the name of Mr. Jardine, that, as a paper manufacturer, he was closely interested in the utilization of the process.

Mr. Muir.—Mr. Nelson and Mr. Jardine are closely connected in business.

President.—Mr. Nelson and Mr. Jardine would naturally be interested from that side primarily, I mean from the side of utilising this particular process. I imagine work had been going on for some years before it was patented.

Mr. Muir.—I suppose that it is the natural inference, but I am not in a position to answer that. It was the probability of cheap bamboos that made them choose India for carrying on their experiment on a commercial scale.

President.—The process had apparently been patented before there was any decision where the mill was to be established.

Mr. Muir.—I am not quite sure.

Mr. Ginwala.—In answer to Question 96, you have put down the price of patent rights as Rs. 3,80,000. If it costs every company that amount, it seems a large sum. There is probably a royalty payable on production in addition.

Mr. Muir.—We don't pay any royalty.

Mr. Ginwala.—It seems to me that it may be rather a handicap to others.

Mr. Muir.—To all.

President.—If the other process also turns out to be suitable, the extent to which you can charge royalties will be strictly limited by the competition of the markets.

Mr. Muir.—Yes. It of course depends on the relative values of the processes.

Mr. Ginwala.—You say that the Titaghur people have also experimented on bamboo.

Mr. Muir.—Yes.

Mr. Ginwala.—Do you know whether they have done so with the soda process?

Mr. Muir.—Theirs is soda process. I understand that they believed that theirs was a better process.

Mr. Kale.—What process is being tried at Dehra Dun?

Mr. Muir.—The soda process.

Mr. Kale.—Are we to take it that it is your opinion that the bamboo pulp is suitable for higher grades of paper than other materials in India? Is that your opinion?

Mr. Muir.—Yes.

Mr. Kale.—Sabai grass and other materials are not so suitable for the manufacture of better grades of paper?

Mr. Muir.—Bamboo is superior for the better grades of paper.

Mr. Kale.—In answer to Question 10, you refer to the bazar people. Are you referring to the middlemen or the wholesale dealers?

Mr. Muir.—The middlemen.

Mr. Kale.—A middleman who is selling to smaller dealers naturally wants to stock a larger variety?

Mr. Muir.—He is accustomed to stock a larger variety and he does so.

Mr. Kale.—You don't deal with small dealers?

Mr. Muir.—No.

Mr. Kale.—In the same answer later on you refer to the handicap which the Indian manufacturer has to face on account of the very large proportion of light weight papers demanded in this country. I remember something about Austrian paper, very thin paper, which used to come into this country before the war, which was very popular in India with the mass of the public. Is that the kind of paper you refer to?

Mr. Muir.—I am afraid I cannot answer that question.

Mr. Kale.—Do you know the Elephant brand paper which is also very thin?

Mr. Muir.—I am afraid I cannot answer that.

Mr. Kale.—I was just asking you how it is possible for those manufacturers to sell that kind of paper at a small price.

Mr. Muir.—I understand that a large proportion of the Home imported paper for the bazar consists of the heavier weights.

Mr. Kale.—I happened to know these two types of paper. Therefore I am asking you how it is possible for them to manufacture and sell in India at such low cost.

Mr. Muir.—I am afraid I cannot answer.

Mr. Kale.—You said that the bamboo crop could be renewed every seven years. Has that been established by experiments, or is it only an estimate?

Mr. Muir.—It is the result of something more than an estimate. I think it is the result of actual observation and I believe most people hold that it can be renewed oftener.

Mr. Kale.—It is of importance. You rely much upon the continued supply of these raw materials, and unless it were possible for the Forest Department to grow more forests and keep up the supply, the supply of your raw material would not be maintained.

Mr. Muir.—I understand: that is the result of actual observation by Forest officers.

President.—That is my impression too.

II. RAW MATERIALS.

President.—You have told us in answer to Question 5 that your capacity for pulp is 200 tons a month or 2,400 tons a year, and you have told us in answer to Question 14 that approximately 2½ tons of bamboo are required for one ton of unbleached pulp. On that basis taking 2,400 tons of pulp, it ought to be 5,400 tons of bamboo. The figure you have actually given is 5,000.

Mr. Muir.—It is an approximate figure.

President.—I want to know which is correct. It is better that the figures should be consistent.

Mr. Muir.—You can take it that 40 to 42 per cent. is the yield of a ton of dry bamboo.

President.—Still you require rather more than 5,000 tons for the full capacity.

Mr. Muir.—It should be 5,400 to be more accurate.

President.—In Question 16 there is a quotation from a paper read by Mr. Raitt in which it is said "It is a modest estimate to say that from bamboo, taking only that which is available under possible manufacturing conditions, Burma, Bengal and Southwest India, could produce ten million tons of pulp per annum." That again is the very point we were on at the beginning. In one sense it is quite true, and in another sense it may be quite misleading. The whole question is what quantity you can utilise at a cost commercially possible, and if you are right that the best place for a pulp mill is somewhere in the neighbourhood of Calcutta, it is a discouraging fact, because it means that a great proportion of the bamboos cannot be utilized.

Mr. Muir.—I take it in course of time, supposing the bamboo paper industry developed, you would find factories as you do in England and elsewhere, located in various places over the country.

President.—But it may be that there are limitations owing to the difficulty of supply of power or fuel. In proportion to most manufactures the quantity of coal required per ton is very large and this makes the question very important.

Mr. Muir.—Other commercial people have considered various other sites as suitable. Ours is the only factory put down to develop a certain area of raw material. Just now you have got Heilgers who believe that Rangoon is a desirable and a good commercial site, and I understand that a concession was given further away from Rangoon to Jamal Brothers and a concession was also given in Arakan.

President.—Very likely, but that is not my point. We hope to get some assistance from you on that.

Mr. Muir.—I think you are asking a good deal. If I went away and worked it out and considered it carefully from all these points of view, then I could write to you a very comprehensive answer. The first thing we considered was what was the most favourable site to put down the first factory for manufacturing pulp from bamboo. All these other sites that you alluded

to will have to be considered on the merits, and it would require a good deal of figures to compare the relative merits and values of each particular site.

President.—What arguments do you think will eventually prevail? That is what it comes to.

Mr. Muir.—I can say this that, with protection and encouragement, it is possible to establish on the banks of the Hooghly what will be eventually a sufficient number of paper or pulp mills to supply the requirements of India.

President.—I think it would be undesirable that they should all be established in Bengal or Bihar. In that case the manufacturer might not be able to command the southern markets.

Mr. Muir.—I understood you to be referring to that particular place and to the quantity of bamboo available. I am only alluding to one area of bamboo and to the extent that it could be developed.

President.—Then we come to Question 20 about the cost per ton delivered at the mill of the primary raw materials. You have explained your inability to give any detailed figures, even in confidence. You have given the royalty that we asked for and you have given the total freight. You say "while we have a concession rate for the importation of bamboo from the reserve from the Railway and Steamer companies, this item is a very heavy charge on the cost of our primary raw material. The concession rate first quoted us in 1919 was Rs. 7 per ton, whilst to-day it has risen to Rs. 8-7-0. The balance of course must cover labour and miscellaneous charges and the freight down the Karnafuli river and the baling.

Mr. Muir.—Also the crushing as well as the baling. There is cutting and rafting and then it is baled and despatched to Chittagong, and from Chittagong it has to be landed and then there is the freight to Naihati.

President.—The point is whether it will be to your advantage to persist in an extreme reserve on these matters. It is of course for you to decide.

Mr. Muir.—Shall I give you the figures in confidence?

President.—Certainly you can if you like, but I do not understand what it is you apprehend from the disclosure of these figures. Are you thinking of the people who are manufacturing at the moment, or the people who may take up the manufacture hereafter, *i.e.*, the future competitor?

Mr. Muir.—Yes.

President.—I can understand that in a certain sense, but, after all, your position is this, you are asking Government to come to your assistance at the expense of the tax-payer. In that case I think a certain amount of disclosure is essential, and particularly when the risk is not disclosure of information to actual competitors but only to potential competitors.

Mr. Muir.—Of course there is a good deal of difference from our point of view between disclosing in confidence to you and having the figures published, when they may be ready for reference for anybody who may think of manufacturing pulp from bamboo at a future date.

Mr. Ginwala.—Your figure is not a figure that will encourage any man to come into the industry. If I were you I would publish it broadcast.

President.—The most important thing in this case, I quite admit, is the total figure, but it is still desirable to have details.

Mr. Ginwala.—These gentlemen (Messrs. Pearson and Raitt) have published their figures, and you have found them to be inaccurate on some material points

Mr. Muir.—We have not attained to their figures so far.

Mr. Ginwala.—The most important figure in this connection is their cost of raw material, and there they have not been right. You have got to be quite frank about it.

Mr. Muir.—Our experience so far has shown that.

Mr. Ginwala.—That experience you propose to keep to yourself by not publishing it. What happens? Our report goes before the Assembly where Mr. Raitt is quoted with his Rs. 30 a ton for 2½ tons of bamboo delivered at the mill against your Rs. 50 a ton. The Assembly may well say that you did not know your business.

Mr. Muir.—Here are our figures: I am prepared to give them over to you.

President.—As Mr. Ginwala has pointed out your figures will serve as a check on Mr. Raitt's figures. [The figures were handed over to the President.]*

Mr. Ginwala.—You yourself have given Rs. 12-8-0 a ton.

Mr. Muir.—I give it as a rate that was given by Mr. Pearson. Our man went up with him and Mr. Pearson was the expert who gave the rate.

President.—You have told us that bamboo is better than grass for higher classes of paper. Is there any class of paper where grass is definitely the material indicated.

Mr. Muir.—It is not better for any quality but would make the lower grades equally well.

President.—Why is it that the British manufacturer still manufactures a certain amount of paper from esparto grass? Is it not because esparto grass is more suitable for certain classes of paper?

Mr. Muir.—Esparto grass is more suitable for certain kinds of paper because it is a little bit stronger.

President.—That applies between esparto grass and wood pulp. Would it not apply as between *sabai* grass and bamboo?

Mr. Muir.—I think the *sabai* grass paper may be a little stronger, at present. We are a little short of beating power in our mill, and when we get another beater our paper will be just as strong. That is the only point in which the *sabai* grass could be said to have any advantage.

President.—At the end of the answer to Question 30 you say "We can safely state that pulp can be manufactured from practically any class of bamboo." That rather takes me aback. I understood it was only certain kinds of bamboo which were suitable.

Mr. Muir.—We can manufacture from any class of bamboo, but we cannot manufacture economically.

President.—I do not doubt it, and I do not think that anybody would challenge that you could make paper at a price from any class of bamboo. The question was "What are the primary classes of bamboo you consider suitable for the manufacture of pulp?" The answer was "we do not feel that our experiment has gone far enough to make a comprehensive answer", and you go on to say that pulp can be manufactured from practically any class of bamboo. I now understand that it can be manufactured but not economically.

Mr. Muir.—As a matter of fact we have got at the present moment one certain class of bamboo at our mill: we cannot manufacture from that so economically, but we are still experimenting.

President.—Are these brought from your reserves?

Mr. Muir.—We are experimenting with the local ones.

Mr. Ginwala.—How far are you prepared to accept this as correctly representing the position, this quotation from Mr. Raitt's paper? It is unfortunate that I have not been able to get a copy of that paper and of the other book that Mr. Raitt has written.

Mr. Muir.—I am not sure that we have got one.

Mr. Ginwala.—Besides Mr. Raitt, is there any other authority on that point?

Mr. Muir.—I do not think beyond the Forest authorities there can be any one who has made a comprehensive study of the question.

Mr. Ginwala.—Of course every Provincial Government interested in pulp has consulted Mr. Raitt and Mr. Pearson. Did you supply us with a map of the locality? Have you got one?

Mr. Muir.—I am afraid we have not got one of the Reserve. You will see where it is on the marked map of Bengal we have already sent.

President.—What distance is the reserve from Chittagong?

Mr. Muir.—It is 112 miles.

(A note on the reserve was handed over to the President.)*

Mr. Ginwala.—Please see the distance noted in answer to Question 18.

Mr. Muir.—That was prepared in office in answer to Question 18—the distance covered by rafting—119 miles. It is a natural criticism that you have made. We have got Mainimukh as our headquarters up there and we raft our materials to Jaitpura which is 14 miles above Chittagong. The reason for that is that we had a small site at Chittagong for handling it alongside the railway but we found that the expense on the rent more than counter-balanced the cost of the extra boating to the railway.

Mr. Ginwala.—This boating and steamer, is it on the other side or this side?—134 miles.

Mr. Muir.—This 134 miles includes only 14 miles on the other side of Chittagong and then it is carried from there by rail and steamer.

Mr. Ginwala.—Then there must be transhipment?

Mr. Muir.—Yes. We have considered every sort of transport. The inland steamer companies can only come round to Chittagong about two months in the year. Transport by big steamer is considerably more expensive.

Mr. Ginwala.—From Chittagong to Calcutta?

Mr. Muir.—Then boating it up to the mill.

Mr. Ginwala.—Is the crushing plant you have got an expensive one?

Mr. Muir.—Not very.

Mr. Ginwala.—At what stage does it reach there, and why do you crush?

Mr. Muir.—This is purely for convenience of transport.

Mr. Ginwala.—Is it a process which you would have to perform at your mill?

Mr. Muir.—No. It is an extra process.

Mr. Ginwala.—What does that process cost?

Mr. Muir.—It costs Rs. 9 a ton for crushing and despatching: that is importing it, crushing and baling it and then re-exporting it.

Mr. Ginwala.—That you would save entirely if you had your mill there?

Mr. Muir.—Yes. You are asking the total cost of the plant at Jaitpura: it is Rs. 40,000.

Mr. Ginwala.—I think it is not such a favourable lease as you would like to have?

Mr. Muir.—Not as favourable as we should like to have.

Mr. Ginwala.—This royalty is fairly high.

Mr. Muir.—This is the same as I have here in two other leases. These are Burmese leases. They had 7 years free first and then their Royalty was on the dry manufactured pulp and ours is on the raw bamboo, that is to say, about 2½ times as much.

Mr. Ginwala.—The minimum royalty looks rather high.

Mr. Muir.—We think the Government of Bengal might have done the same as the Government of Burma did and given us 7 years free.

Mr. Ginwala.—That would have saved you Rs. 70,000?

Mr. Muir.—Yes.

Mr. Ginwala.—This figure increases to Rs. 2 per ton?

Mr. Muir.—It does.

Mr. Ginwala.—Does the Government of Burma do the same?

Mr. Muir.—It is a much less favourable lease than the Government of Burma lease, and we should be very grateful if you could use your influence with the Government of Bengal to modify the lease!

Mr. Ginwala.—As far as the Government of Burma is concerned the Government of India can do nothing. "Forests" are a transferred subject!

You say the provision about allowing other people to cut bamboo does not affect you at all.

Mr. Muir.—We have nothing to say against that.

Mr. Ginwala.—Is there a large population round about this tract?

Mr. Muir.—There is sufficient population, but it has been difficult so far to get them to take kindly to the new work.

Mr. Ginwala.—I am not talking about labour. What I mean is whether this bamboo that Government has reserved for them would be sufficient for the domestic needs of the population, because in Burma that is the difficulty very often. So far as you are concerned you think this is sufficient?

Mr. Muir.—We believe so.

Mr. Ginwala.—Coming now to answer 34 (b) we have been told to-day that, whatever the production of bamboo pulp in the country, a certain amount of sulphite wood pulp will have to be imported. Do you agree?

Mr. Muir.—No. It is not correct.

Mr. Ginwala.—You do not agree with that opinion?

Mr. Muir.—No.

Mr. Ginwala.—Now, with regard to mechanical pulp: is there any chance of bamboo being converted into pulp mechanically?

Mr. Muir.—I think it may be possible but I don't think it is likely to be done within a number of years. This is the first stage of development of the bamboo paper pulp industry, and I think the other is not likely to follow for quite a period of years.

Mr. Ginwala.—That would make a considerable difference to the industry as a whole; there is a good deal of demand for mechanical pulp.

Mr. Muir.—That is my opinion, but I think it will be possible eventually though I don't think it is probable in the near future. Our attention will be devoted to the manufacture of paper by the sulphite process, and then the mechanical process will very likely follow later.

Mr. Ginwala.—Has it been investigated at all?

Mr. Muir.—Not by us.

President.—It is too early to come into your calculations at this stage?

Mr. Muir.—I should think so.

Mr. Ginwala.—What is the concession rate that you are talking about?

Mr. Muir.—It is impossible to say exactly what is the concession we do get on the transport of bamboos, because a special rate had to be made. But we get a relatively cheaper rate than I believe on the bamboo transported from Silchar district. At the same time it seems to us possible that, all things considered, the rates might have been made decidedly lower.

Mr. Ginwala.—What is the distance?

Mr. Muir.—

From the Reserves to Naihati	470 miles.
From the Reserve to Jaitpura	119 miles.
and another 14 miles from Jaitpura to Chittagong	14 miles.

Mr. Ginwala.—What about the rates?

Mr. Muir.—

Concession rate on the Assam-Bengal Railway, 113 miles, 1 anna and 8 pies a maund.

Steamer, 120 miles, 1 anna and 9 pies a maund.

Eastern Bengal Railway, 104 miles, 1 anna and 7 pies a maund.

Mr. Ginnala.—By boat you will pay more?

Mr. Muir.—Yes.

President.—These railway rates, how do they compare with the ordinary freight?

Mr. Muir.—The only concession that was given is that they give us cheaper freight rates than they previously quoted, but I don't think they are cheap rates.

Mr. Kale.—Are there different species of bamboo in your reserve?

Mr. Muir.—Yes, I think there are five species.

Mr. Kale.—Have you got any preference for any particular species?

Mr. Muir.—*Mooli* bamboo is the most preferable, but they are all quite suitable for the manufacture of paper.

Mr. Kale.—What area does the one which you prefer cover?

Mr. Muir.—Let me give you particulars of extraction. In 1917-18 33 lakhs of *mooli* bamboos were taken out of a total of 50 lakhs, and if that can be taken as the criterion it would be about 3/5th of the area.

Mr. Kale.—Can you tell us what is the peculiarity of the good quality bamboo?

Mr. Muir.—If you had an expert here with a microscope he could probably talk to you for a long time, but as one who is not an expert, as far as I can tell you, the best bamboos to manufacture into pulp at present, according to our present knowledge, are the ones not too solid, specially at the bottom stem.

Mr. Kale.—Does dryness and wetness in the bamboo make any difference?

Mr. Muir.—Yes, but only as regards the actual yield; if you have 50 per cent. of moisture in the bamboo you will get a proportionately smaller yield.

Mr. Kale.—The drier the bamboo the better?

Mr. Muir.—Yes.

Mr. Kale.—So that you can stock it for a long time and it won't deteriorate?

Mr. Muir.—Yes, provided the white ants do not eat it!

III. LABOUR.

President.—In answer to Question 40 you say "For reasons already explained in reply No. 20 we are unable to give details of wages." The information you are now giving us in that statement—

Mr. Muir.—It won't give you details of wages paid to labour because we do not keep that. You will understand that in works of that sort it is impossible to keep that; the men may go away and then may not return again for a week and so on.

President.—Are they paid by piece rates?

Mr. Muir.—Entirely by piece rates.

President.—You tell us in answer to Question 41 that you provide labour for the local population, who live largely by jhuming, at times of the year when they have no agricultural duties to attend to. Which times of the year are these? Is it in the rains that you do most of the work or when?

Mr. Muir.—We do most of our extraction in the rains and the cold weather.

President.—What is the best time for bringing this stuff down the river?

Mr. Muir.—We can bring it down practically at all times of the year, but it is not so good in the hot weather. It is good to bring down the smaller freshets during the rains. We would like to get most of it down before the middle of the hot weather.

President.—It is interesting that you have only 4 Europeans, and that you believe you can run even a larger establishment with only four Europeans. One quite recognizes, specially at the time when you are introducing a new process, that expert supervision is absolutely everything at the start. I think it is satisfactory that you have been able to carry on with so few.

Mr. Muir.—We are carrying on, and we hope that ultimately Indian labour will replace some of it, but we have not been able to do what we would like to do in the way of training, because before the place can make the people, you have got to make the place.

President.—You have got to get yourselves firmly established before you think about experiments of any kind.

Mr. Muir.—Yes.

President.—In answer to Question 51 you say “If educated Indians were seriously to take up paper manufacture, we believe results would be most satisfactory.” What exactly is in your mind there?

Mr. Muir.—As far as our experience goes, beyond our Chemist we have had no proof of any inclination on the part of better educated Indians to take up the paper trade, and I understand that the number of those who have taken to it seriously and stuck to it is very few.

President.—What you mean is that in your opinion Indians who go into it do not persevere in it?

Mr. Muir.—There is a disinclination amongst the better educated Indians to take it up.

President.—There is just this to be said that the Upper India Couper Mills are entirely run by Indians.

Mr. Muir.—That is true. Amongst our superiors we have got Indians; our policy is to mix Indians and Europeans in our entire staff. We promote them all.

President.—We put the same question to Mr. Carr, and I think our feeling was that perhaps there has been a lack of perseverance on the side of the manufacturer also, so far as we could judge. Is there anything in the nature of paper manufacture which is unsuitable for Indians?

Mr. Muir.—No.

Mr. Kale.—In answer to Question 41 you say “We have had the usual labour difficulties in accustoming semi-civilized labour to a new industry.” What is semi-civilized labour?

Mr. Muir.—They are the Chakmas.

Mr. Kale.—The work that you put them to is cutting bamboos, so that has nothing to do with your industry?

Mr. Muir.—Nothing at all.

Mr. Kale.—Then why should there be trouble?

Mr. Muir.—I understand that there is a certain sort of man who objects to any sort of controlled labour. From what I can gather they are on the lines as the hill tribes of Assam.

Mr. Kale.—They do not like to work continuously?

Mr. Muir.—Or under restraint.

Mr. Kale.—Then there is no technical difficulty?

Mr. Muir.—That is the simplest thing in the world.

Mr. Kale.—The President was just asking you whether there was any difficulty in the manufacture of paper which Indians are not able to overcome, and you said there were none. Then what do you mean by saying "If educated Indians were seriously to take up paper manufacture, we believe results would be most satisfactory"?

Mr. Muir.—Our Chemist is an Indian at the present time. We referred to the study of paper manufacture which is, I think, generally admitted to be a very specialized subject.

Mr. Kale.—So far as I know some Indians have gone abroad for studying this industry, but I don't think that helps them unless they know Indian conditions first.

Mr. Muir.—As the President was saying, the Upper India Couper Mills have manufactured paper successfully entirely with Indians, but we have not come across any Indians who showed any desire to take it up.

Mr. Ginwala.—The Lucknow mills brought up a man from the ranks who is now Manager.

Mr. Muir.—We hope to do so in the future.

Mr. Kale.—I have not still been able to understand what was in your mind when you said "If educated Indians were to take seriously to paper manufacture." If they are not doing it to-day it is because there is no capital coming forward. That is one thing. Another thing may be that they have not got the technical knowledge which is required for paper manufacture.

Mr. Muir.—They have got to take the subject up very seriously and start from the beginning. They have got to take up the technical side and study the theoretical part of it as well as the practical application of it.

Mr. Kale.—In answer to Question 50 you say "Labour is mostly settled in the locality of the mill though originally drawn from various parts of India." That is to say, they have come from outside the Province and now they have settled there.

Mr. Muir.—Yes.

Mr. Kale.—Is it from the United Provinces?

Mr. Muir.—Mostly Beharis and Uryas but also from the United Provinces.

Mr. Kale.—What applies to most of the industries in Bengal is common to you also?

Mr. Muir.—Yes.

Continued on Saturday July 5th.

II. (B) AUXILIARY RAW MATERIALS.

President.—With reference to your answer to Question 37 (b): the question is "what quantity of each of the chief auxiliary raw materials is required per ton of finished paper" and you say "This can only be given confidentially." I quite understand as it would, so to speak, indicate the process.

Mr. Muir.—That is it.

President.—If you can give it confidentially that is all we require in this matter. I don't think that it is likely that we would wish to publish the actual figures.

Mr. Ginwala.—Does that objection apply only to the first two items?

Mr. Muir.—As regards sulphur and magnesite I would prefer to ask you to keep the figures confidentially.

Mr. Ginwala.—The other items are well-known.

Mr. Muir.—Yes.

President.—If you could give us the output, we could get on.

Mr. Muir.—We have given you our present output.

President.—The only output figures that we have got are for two years ending March 1923 and March 1924. I don't know which it is, or whether it is something between the two.

Mr. Muir.—The latter represents our present output! Before that, we have not been working up to the capacity that we should work up to.

President.—Which am I to take? We will leave out the figures for sulphur and magnesite. What we want is the outturn of paper for which these quantities of materials are required.

Mr. Muir.—2,435 tons.

President.—That is for the year ending March 1924?

Mr. Muir.—Yes. The figures previous to that are not of value.

President.—In any case we don't want to enquire about the duty on sulphur, because in that matter we have already done you a good turn without knowing it. Do you purchase magnesite in India?

Mr. Muir.—It comes from near Madras.

President.—Of the other things you have mentioned, a good many come under machinery and you pay only 2½ per cent. duty?

Mr. Muir.—All except stores.

President.—Apparently the bleaching powder, China clay and dyes come from abroad.

Mr. Muir.—Yes.

President.—What about wires? Are they classed as machinery?

Mr. Muir.—Yes.

President.—Dyes, of course, are very expensive compared with other things but the total quantity is not very large.

Mr. Muir.—No. It is only for coloured papers and tinting white papers.

President.—Apparently bleaching powder and China clay are the most important things which you have to import.

Mr. Muir.—We have said ultimately that, if our plant expands in the way we hope it will, we would put in a bleaching plant. It is not at all economical to import bleaching powder.

President.—So that if you make bleaching powder the materials exist in India?

Mr. Muir.—I think that the Titaghur people do make their own.

President.—Do you purchase your rosin in India?

Mr. Muir.—Yes.

President.—Eventually, once you start manufacturing your bleaching powder, I take it that the Customs duty on materials and so on will affect you mainly in respect of machinery and stores, just as it would affect any other manufacturing firm.

Mr. Muir.—It may be some time before we can manufacture bleaching powder even under favourable conditions. Till then, the duty on that is a burden. There is no factory making it in India, and there is considerable deterioration that it seems impossible to avoid.

President.—That was what we were told by Mr. Carr on that subject. But, of course, there is this to be said as regards bleaching powder that it would raise the big question. We can hardly exempt one set of manufacturers without exempting others, and that would bring in the whole cotton trade.

Mr. Muir.—I quite realise it.

President.—It is rather a big question.

Mr. Muir.—I can give you the pounds per ton of these various materials which we use. As you don't particularly want it yourselves, I would ask you to exclude sulphur and magnesite. I don't think that they are of material importance to you. We use 273 lbs. of bleaching powder, 56 lbs. of rosin, 292 lbs. of clay and 140 lbs. of alum.

President.—What is alum for? Is it for clearing water?

Mr. Muir.—Yes.

Mr. Ginwala.—It helps the sizing?

Mr. Muir.—It is for clearing water and for helping the sizing.

President.—When you start making your own bleach, would you make powder or stop at the liquor?

Mr. Muir.—At the liquor.

President.—That is what Mr. Carr told us.

Mr. Ginwala.—You don't require any recovery plant?

Mr. Muir.—No. It is the other process that requires it.

Mr. Ginwala.—And there is no question of recovering bleach in your case?

Mr. Muir.—No.

President.—You allude at the end of this section to the possibility that wires might eventually be made in India, if the demand for them were sufficiently large. It is doubtful whether that would result in any economy to you. Apparently when anyone started making wires, he would claim protection, so that it might not be a source of economy at all.

Mr. Muir.—It is likely to be a very long way in the future before there would be a large enough market for wires to bother about.

President.—They are both things used exclusively in paper mills.

Mr. Muir.—I don't know whether any existing firm can adapt their machinery to the manufacture of these.

President.—What I meant was that, where a particular apparatus is only used in one industry and that industry has only half a dozen factories in the country, probably there is not a big enough market for the domestic manufacturer?

Mr. Muir.—That is what I mean. I don't think that anybody would be likely to bother about it even under most favourable circumstances.

President.—Belting, of course, is being manufactured in India.

Mr. Muir.—Yes. Some of it has to be acid proof and that we import. The rest we buy indiscriminately in this country and from Home.

Mr. Kale.—In answer to Question 38, you have given the Customs duties. Now take the Customs duty on bleaching powder. You have given it as Rs. 37-8-0 on a ton of bleaching powder, the price of which you have given as £10-1-3. How does it work out? Are we to understand that the duty on one ton of bleaching powder is Rs. 37-8-0?

Mr. Muir.—If you take it in pounds (sterling), there is the price of £10, there is the sum for freight of £3 and there is a small sum for landing and transport charges. I think that you will find that the Customs duty works out roughly at Rs. 37-8-0.

Mr. Ginwala.—There I think that the Tariff Valuation comes in.

Mr. Muir.—Yes, Rs. 37-8 equals 15 per cent. on the Tariff Valuation of Rs. 12-8 per cwt.

IX. COST OF PRODUCTION.

President.—You have marked all the information under this head "confidential," but I do not know how far its publication would prejudice, except in so far as the figures show that the present costs are somewhat higher.

Mr. Muir.—As regards that, I am prepared very largely to accept your recommendations. You know much better than I do what figures you consider essential to publish, and we will do our best to meet your wishes and allow them to be published.

President.—To begin with take the overhead charges. I don't think that there can be any objection to their publication. Take working capital. Once the figure is known, anybody who knows the output could find out what your interest charges must be. What is important to us is not the

particular amount that you have to pay as interest in any particular year, but the average charge on that account.

Mr. Muir.—We have only got one typical year which we have been able to give you.

President.—As regards depreciation I take it that what you have to consider is what it would cost you to replace the plant and machinery when they become obsolete or worn out. Is not that the important element in fixing the amount of depreciation required?

Mr. Muir.—For that we are always in the present circumstances prepared to accept Government's valuation.

President.—You are thinking of the rates of depreciation?

Mr. Muir.—Yes.

President.—Supposing you have got plant and machinery of which the actual cost is Rs. 30 lakhs purchased at about the time when you purchased. Now if the prices dropped heavily and the machinery could be replaced for, say, Rs. 24 lakhs, what should be allowed for depreciation? Should the depreciation rates be applied to the original cost or the replacement cost?

Mr. Muir.—The original cost should be taken.

President.—Let me put it the other way. Supposing the prices had risen, and you had paid Rs. 30 lakhs, but could not replace it for less than Rs. 40 lakhs, would you not have to depreciate on the higher figure, because, if you did not, you could not replace your assets when they disappeared?

Mr. Muir.—I should still feel inclined to say that, strictly speaking, the original figure was the correct one to take. What a careful manufacturer would like to do is to take the higher figure and allow depreciation on that. But I should think that if you had to stick to one, you ought to take the original cost.

President.—Our point of view is not quite the same. Supposing we are endeavouring to calculate what price will give the Indian manufacturer a reasonable profit, we have got to include as part of his cost, the depreciation on his buildings, plant and machinery. Would not the proper figure for us to take the present day cost as nearly as we can determine it?

Mr. Muir.—It would be if you are considering the future. But if you are considering the past?

President.—Must we not consider only the future?

Mr. Muir.—You would take in conjunction the present and the past. Take our particular case. We have spent perhaps more money than we should do for putting up a plant because we have had all the experimenting to do.

President.—We did not do that in the case of the Tata Iron and Steel Company. As far as we could, we ascertained what would be the present-day cost. I admit that it is exceedingly difficult to ascertain it.

Mr. Muir.—We have not made an attempt to ascertain it.

President.—I will put it to you this way. If you had a depreciation fund, must you not set aside, by the time your machinery is worn out or becomes obsolete, a sufficient sum to replace it by new plant of the same capacity?

Mr. Muir.—Yes.

President.—You are now as you were when you started. You have not lost anything.

Mr. Muir.—On the other hand take this. Suppose I put up a paper mill and run it to death. In addition to dividend it should give the shareholders their money back. I might want to build another one in another place at the end of that period when the machinery and buildings were completely worn out. What you put aside as depreciation should enable you to get back your capital.

President.—That element comes into it—possible repayment of capital—but so long as they are assets with the same earning power I think you must take it on that basis.

Mr. Ginwala.—Why should the shareholders get the capital: you can tell the shareholders "We built the mill for you for Rs. 25 lakhs: if you build it now you can build it for Rs. 15 lakhs. Take it. Why should you get Rs. 25 lakhs?" After all, the shareholders are only entitled to property, which will give them the same return.

President.—But so long as the property has the same earning power as originally, apart from any change in investment?

Mr. Muir.—Of course the value of the property rises and falls. A property which it takes Rs. 40 lakhs to put up is worth Rs. 40 lakhs when it is erected. If the market price of machinery and so on falls to half, the mill would be worth Rs. 20 lakhs and not as much as it was worth when it was put up.

President.—The value of the machinery to the company is determined not by what it would sell at, but by what it can earn.

Mr. Muir.—A factory works in competition with other factories and theoretically, when the cost of the mill is, say, Rs. 40 lakhs, the earning power of the machinery is greater than when the price of erecting a similar mill falls to Rs. 20 lakhs, other things being equal.

Mr. Ginwala.—There is some confusion of thought there. Supposing you take the depreciation on the replacement value which is varying. If you put down less for depreciation you increase your profits which are divisible as dividend, i.e., what the shareholders would get normally. The shareholders do not stand to lose by taking your depreciation value on a smaller scale.

Mr. Muir.—Take a typical industrial concern. Suppose you take a fair return on it at 10 per cent. Normally the concern will earn 10 per cent. *plus* depreciation on its plant. Therefore, as the replacement value of that plant goes up and down, the earning power of that factory will also go up and down.

President.—Take the case of the jute mills. I do not think that the profits they earn go up and down with the cost of machinery. Moreover, I do not think it is any part of the duty of the Tariff Board in fixing its scheme of protection to endeavour to protect the whole capital of the existing companies.

Mr. Muir.—Supposing you are willing to recommend protection do you give any consideration to pioneers?

President.—Certainly not to individual firms.

Mr. Ginwala.—We make this allowance. Suppose in the initial stages the cost of production is high, it will go down as the output or the practice improves. The difficulty is this: that in many industries in the past—I mean during the business boom—they bought the machinery at much higher prices than now. The question arises whether we should take that into account or not. In the steel industry we took the present value of the plant and machinery to a man who started the industry now, and we calculated what that man ought to get on the capitalisation.

Mr. Muir.—That constitutes more or less a ruling on the point.

President.—If we departed from the procedure we ourselves adopted in the original case, we should have to give strong reasons.

Mr. Ginwala.—Your case happens to be a little bit different, but there are many concerns which are not doing well on account of over-capitalisation on the plant and machinery: there might be under-capitalisation in other ways. For that reason we must follow some rule which would conduce to general convenience. In the steel industry we adopted the rule we referred to just now.

Mr. Muir.—We have given you details regarding exchange on our remittances. Some were very favourable—2s. 4d. on our first two remittances.

President.—I have worked out the average rate of exchange: it came to 1s. 8 $\frac{2}{3}$ d. on all remittances together.

Mr. Muir.—Yes.

President.—After all, what we are trying to get at is this. Is anybody the better or the worse off for knowing your actual figures for depreciation and working capital. As I said, in the case of the working capital, it can be very easily worked out.

Mr. Muir.—As regards the working capital or depreciation, if you think it would be advisable for us to publish these, we will not object.

President.—It always prejudices the case for an industry, if there is anything not published when there is no obvious reason for not publishing it.

Mr. Muir.—You may publish the whole, if you think it desirable. You have much more experience of these things.

President.—We do recognise there may be difficulties about particular figures. What it really comes to is the works costs and that is for practical purposes what you have entered in these forms.

Mr. Muir.—II and III are of course to some extent theoretical.

Mr. Ginwala.—Do you follow any particular principles in allocations in your cost account?

Mr. Muir.—I have here a copy of the cost sheets we made for you, but beyond that we have the operating costs: boilers, engineering shed, plant, chemical crushers, and so on divided crosswise into the usual heads, salaries, etc.

Mr. Ginwala.—I take it that the last form is the most correct?

Mr. Muir.—Yes.

Mr. Ginwala.—There is no conjecture there.

Mr. Muir.—No.

President.—What is your feeling about these forms?

Mr. Muir.—If you think it will help our cause, and if you do not think yourself there is any great harm in publishing them, you can do so.

President.—It certainly improves your case.

Mr. Muir.—Then let it go in.

President.—As regards these costs there is one small point in form IV. This last item "freight" at the end, what exactly is that?

Mr. Muir.—Freight to the various markets, that we have to pay.

President.—How do you calculate that? Do you take the average of the freights you actually had to pay?

Mr. Muir.—This is the actual freight we had to pay divided by the tonnage.

President.—It might vary a good deal from year to year.

Mr. Muir.—It might, but presumably one would get the reflection of that in the price received.

President.—That apparently is on the basis that the price of paper is practically uniform.

Mr. Muir.—In practice the further in distance we are from our market the worse is the net price.

President.—That is what Mr. Carr also was telling us. It is not so, of course, in the case of very bulky things like steel or cement, where the price goes up with the amount of railway freight.

Mr. Muir.—I do not think it goes up to the full extent, but directly you get beyond a certain place in India. I think the papers that come in from the other side of India start competing.

President.—Take Delhi which is equidistant from the sea ports roughly. One does not quite see why Delhi consumers should get their paper as cheap as Calcutta or Bombay people. Is there any special reason for this in the paper trade? Being a consumer myself I was always led to believe that the consumer always paid; in this case, apparently, he does not.

Mr. Muir.—I think it has always been the case that the up-country markets have been relatively less profitable than the local ones. It probably is that it is case of distribution at the near at hand markets avoids the necessity for the dealers carrying stocks and possibly helps prices. In the same way in some cases the necessity of carrying larger stocks of Home papers prejudices their prices a little.

President.—So to speak, in the Calcutta market the paper makers are carrying their own stock, whereas up-country somebody else has got to carry stock for them. That may be the reason?

Mr. Muir.—Yes.

President.—How much of your paper during last year actually went to Calcutta and how much went up-country, do you happen to know roughly?

Mr. Muir.—I could only tell it to you by working back roughly the freight figures, but I may say that Calcutta is our best market.

President.—The main point I wanted to put to you is really a general question which occurred to me both in the overhead charges and the works costs. I was trying to work out very roughly how much the overhead would come to per ton, starting on the basis of a works cost of Rs. 485. In the case of depreciation I think I took it on the full paper making capacity, 3,000 tons roughly, and I took the depreciated value of your machinery and buildings, the reason being not any theoretical reason but simply this, that the present-day cost of your plant and machinery with the same output must be lower than what you actually paid, and the depreciation actually written off makes an approximate allowance for it—it may not be the right allowance but it will serve. On that basis I arrived at a figure of Rs. 75 a ton for depreciation.

Mr. Muir.—I have got the depreciation worked out here in answer to Question 117 and it is Rs. 74-6-1 with the figures worked out on the actual output. The figure you have taken is a very optimistic one. It would hardly be our maximum capacity per machine even if we had the two machines.

President.—On the other hand it is probable that the present-day cost of plant and buildings is rather high and one thing will set off against the other. The working capital I took at Rs. 10 lakhs and I took the interest at 7½; on the output of 3,000 tons it comes to Rs. 25 a ton of paper.

Mr. Muir.—Yes.

President.—I took the head office expenses which is not a very important item at Rs. 45,000 and this divided by 3,000 tons would come to Rs. 15 a ton. Then on the manufacturer's profit which has got to be added your figure for buildings and machinery comes to nearly Rs. 35 lakhs. If the capital were taken at Rs. 30 lakhs it comes to 1,000 per ton of output and 10 per cent. of that which is the amount required for the manufacturer's profit is Rs. 100 per ton of output. That is how you stand; so that the average price you require is about Rs. 700 a ton. What I really want to get at is to what extent you can already foresee that you can bring down the costs.

Mr. Muir.—Do you mean by increasing the plant?

President.—Yes.

Mr. Muir.—I took some figures on the original cost of the plant and our actual expenditure and I worked out that we could probably go down Rs. 100 a ton.

President.—On the present plant?

Mr. Muir.—I took the depreciation based on the present plant and a rough estimate for doubling its capacity.

President.—Supposing protection were given and you thought it worth while to go ahead, you would aim at about 6,000 tons output?

Mr. Muir.—I would put down at 5,700 tons.

President.—I want to take a round figure.

Mr. Muir.—You may as well take it at 5,500.

Mr. Ginwala.—I have asked the other manufacturers to work out precisely the same thing on the basis of 5,000 tons.

President.—That is on two machines. Take the overhead first. What additional capital do you roughly estimate would have to be raised?

Mr. Muir.—As I told you, anything which we could give you without reference to the machinery makers would necessarily be a complete guess, but I would put it at Rs. 10 lakhs.

President.—On Rs. 10 lakhs you would practically double your plant? Are you in a position to say what the present-day cost of the existing plant would be?

Mr. Muir.—That necessitates a reference Home.

President.—Even if we get it later that would be useful.* I hope you will be able to get it within three months. We will provisionally take at the moment Rs. 30 lakhs as the present-day cost of the existing plant, machinery and buildings.

Mr. Muir.—You have taken a very considerable depreciation: don't you think you have taken rather a lot? We have given the depreciated plant as it stands in our books.

President.—You have given us the amount of depreciation. Rs. 30 lakhs may be taken as a rough and ready figure, I think?

Mr. Muir.—I thought you were working on the same figure. After depreciation our plant stands at Rs. 42 lakhs.

President.—That is the whole block. It may be my Rs. 30 lakhs is too low, I do not know. On the other hand we must take something.

Mr. Muir.—I will not say 'yes' or 'no,' but you have taken an enormous depreciation. You have taken the exchange depreciation, which comes to nearly 20 per cent. and you have further taken much more than the statutory depreciation.

President.—You are using the phrase "depreciation" in quite a different sense. I am taking the present-day cost of your plant and machinery at a low figure because I am trying to take an optimistic view of the prospects of the industry. The higher you put up the initial cost of the plant and machinery, the more gloomy you make the prospect of the industry.

Mr. Muir.—On the other hand one could urge the other extreme without in any way reflecting as the Forest officers have done. According to the Forest officers' figures, on the other hand, the industry is not in need of protection at all, and I think it would be best to base our figures on any actual ones available.

President.—In the last section of your representation the view taken is distinctly optimistic.

Mr. Muir.—Supposing that we got protection to the extent we have asked for and allowing that prices in India reflected that rise absolutely, and supposing our figures are correct for the increased plant, we should be able to make a reasonable profit.

President.—What figure am I to assume for the capital cost of the enlarged factory?

Mr. Muir.—Would you think 50 lakhs too high?

President.—It seems to me that on the basis of 50 lakhs you hardly stand a chance if you are to succeed at all. Personally I do not see how it is going to be done.

Mr. Ginwala.—Do you depreciate your patent rights?

Mr. Muir.—No.

President.—Surely they have got a certain fixed term. The patent is not like a perpetual mine. You can almost take it as similar to goodwill.

Mr. Ginwala.—Hardly, because goodwill is generally a permanent thing and the patent is not.

* Statement VIII, Enclosure para. 7.

President.—Goodwill is sometimes evanescent.

Mr. Ginwala.—Would it not be a better way to arrive at the result by taking the life of the patent at so many years? Really speaking it ought to go to your cost of production.

Mr. Muir.—I am not very well versed in these things. Is it not liable to be renewed in the usual way?

Mr. Ginwala.—After a certain number of years the patent is useless. You are really paying for the process in the meanwhile.

Mr. Muir.—Depreciating the item of goodwill to extinction in 15 years, our process is going to cost us Rs. 10 per ton on our present plant, or Rs. 5 a ton if the plant be doubled.

President.—I want to get on with the general discussion. If you think Rs. 50 lakhs is a reasonable figure to take, let us take it by all means.

Mr. Muir.—I don't think it is unreasonable.

President.—Let us take 50 lakhs, and you are going to turn out 5,500 tons. It is going to be very nearly Rs. 100 a ton to pay 10 per cent. on the capital.

Mr. Ginwala.—In our calculation it would average 8 per cent. if we take debentures into account.

President.—We took 8 per cent. in the case of the steel companies. If you get 8 per cent. you would not be badly off. That would be 4 lakhs a year that you have got to make for manufacturer's profit.

Mr. Muir.—You are allowing depreciation at what per cent.?

President.—I have taken your total fixed capital expenditure as 50 lakhs and am assuming that 8 per cent. is going to be paid on that; that means 4 lakhs a year and your outturn is 5,500 tons. That comes to about Rs. 73 a ton.

Mr. Muir.—Yes.

President.—What would be the working capital required for an output of 5,500 tons?

Mr. Muir.—Twice Rs. 10 lakhs will cover that, I think.

President.—Is not that very high?

Mr. Muir.—I think if you take a figure of 17 lakhs it won't be unreasonable.

President.—It is for you to answer that. I thought your 10 lakhs was high as far as I could judge by comparing it with figures given by other companies.

Mr. Muir.—That is how it is arrived at; it is roughly 10 times the monthly working cost.

President.—That is 10 months' output?

Mr. Muir.—Yes.

President.—The other companies took 7 months' output, I think.

Mr. Muir.—Let us take 14 lakhs for the increased output. That would be about 7 months' output.

President.—All right. Let us take 8 per cent. again to get the same rate of interest.

Mr. Ginwala.—But you don't pay 8 per cent. always; you pay only the bank rate.

Mr. Muir.—That is right.

Mr. Ginwala.—However, you can take 8 per cent. for the present.

President.—That would be 1,12,000.

Mr. Muir.—Yes.

President.—And divided by 5,500 it is almost exactly 20 rupees a ton. On the depreciation you have got 6½ per cent. all round on 50 lakhs, which is 1/16th, about 3 lakhs.

Mr. Muir.—Rs. 3,10,000 is the approximate figure that I have made.

Mr. Ginwala.—It is Rs. 3,12,000.

President.—It will come to 55·82; and then Head office expenses and agents' commission Rs. 19; that is 5,560 or Rs. 167 above works cost.

Mr. Muir.—Yes.

President.—Now, you have got to show to what extent you think the works cost is likely to go down with the increased output.

Mr. Muir.—At present our hope is, leaving aside the question of raw material, that we shall be able to bring down our production cost to Rs. 421 a ton. Rs. 421 plus Rs. 167=Rs. 588 a ton.

President.—Let us say Rs. 600 leaving a margin; that would be better.

Mr. Muir.—That would be prudent and at our last selling price for paper. Supposing the duty were increased, an increase of 8·7 per cent. which is the increase from 15 per cent. to 25 per cent., we get a figure of Rs. 619·36 a ton.

Mr. Ginwala.—This is really more or less the basis on which you worked out your future estimates with which we are concerned.

Mr. Muir.—These are the figures that I brought with me here.

Mr. Ginwala.—Will you give me any reply to the question I put to you at the beginning?

Mr. Muir.—I have worked out no figures that do not apply to ourselves personally.

Mr. Ginwala.—Have you been through Mr. Raitt's book?

Mr. Muir.—I have been through it cursorily last night.

Mr. Ginwala.—You see he takes bamboo at Rs. 32·8 on a 10,000 ton basis and Rs. 30 a ton on a 5,000 ton basis.

Mr. Muir.—That is the actual quantity of bamboo required to produce a ton of paper, and our actual figures worked out to Rs. 100. Of course he is not paying the freight and baling charges on his bamboos which we are doing.

Mr. Ginwala.—The point is: can you get down to that figure if you were manufacturing your pulp there?

Mr. Muir.—No.

Mr. Ginwala.—Is that a figure which anybody could act on?

Mr. Muir.—I do not know anything about Cuttack which he is talking about. We cannot work down to these figures at Chittagong.

President.—Which of Mr. Raitt's figures are most contrary to your firm's experience?

Mr. Muir.—I am not in a position to say anything about his cost figures, as he has gone entirely on the soda process.

Mr. Ginwala.—The most important thing is the question of raw materials. With regard to the other things you may not get the same result as a most up-to-date factory on a very large scale would. The most important thing is bamboo, and that is why you think these calculations are not to be relied on?

Mr. Muir.—If we were putting up a mill in Silchar or at Chittagong we would not approach those figures for the cost of the raw material.

Mr. Ginwala.—Because if you could work up to these figures you would undersell the whole world practically, would you not? Then, you see he takes 1½ tons of coal for the pulp. Do you expect to get down to that figure? You have given 4·25 tons as your figure for one ton of paper.

Mr. Muir.—That is for the finished paper. We estimate the consumption of coal required per ton of unbleached pulp at 2·128 tons. For bleached pulp 2·55 tons, finished paper 4·25 tons.

Mr. Ginwala.—You have a difference of about a ton?

Mr. Muir.—Yes.

Mr. Ginwala.—He says that at Home 15 cwts. is what they use per ton. He says "in wood pulp manufacture the coal consumption is from 15 cwts. to one ton of English coal per ton of dry pulp. We think the consumption will be well covered by putting it at $1\frac{1}{2}$ tons per ton of dry pulp, and the cost per ton of pulp will be Rs. 22-8. For moist pulp it will be one ton of coal per ton of pulp costing Rs. 15."

President.—Is it an English practice?

Mr. Ginwala.—Yes. In the case of wood pulp he takes one ton.

Mr. Muir.—We cannot work down to these figures; the quantity depends a good deal on the quality of the coal.

Mr. Ginwala.—He takes the Talcher coal.

Mr. Muir.—That is rather like his estimates. We have heard a lot about Talcher coal but we have had no opportunity of trying it in bulk.

Mr. Ginwala.—On the quality of the Indian coal it would not make a difference of $1\frac{1}{2}$ tons?

Mr. Muir.—It might make a difference of 30 per cent.

Mr. Ginwala.—For wet pulp he takes one ton.

Mr. Muir.—Yes.

Mr. Ginwala.—You are not concerned with dry pulp?

Mr. Muir.—Not at present.

Mr. Ginwala.—For dry pulp he takes $1\frac{1}{2}$ tons.

Mr. Muir.—That is a difference of 70 per cent. The coal we are referring to is second class Indian coal. The difference between good European coal and good second class Indian coal might probably be 5 cwts. in a ton. Anyway, the difference between the best English coal and second class Indian coal could not be more than 7 cwts. in a ton.

Mr. Ginwala.—This is second class coal.

Mr. Muir.—We are using second class coal. I don't think it is economical when the plant is running at full capacity, but as we only require a portion of the power which is necessary we are at the present moment on second class coal.

Mr. Ginwala.—It is a very big item?

Mr. Muir.—Yes.

President.—That is to say, your use of coal must be uneconomical on that basis at present?

Mr. Muir.—What I mean to say is that tons of coal are not a very good comparison. What you really want is the cost of coal in rupees per ton of production.

President.—We found it of extreme importance in the case of the steel industry to get the quantities. Have you got to use a great deal more of the second class coal?

Mr. Muir.—It may pay a certain mill which does not require to keep up full steam to use second class coal. That is what I was referring to.

Mr. Ginwala.—This cost that he gives is low; including depreciation it is Rs. 166 a ton at Cuttack on a 5,000 ton basis and Rs. 144 a ton on a 10,000 ton basis.

Mr. Muir.—I cannot criticise his figures in detail but they seem to me very optimistic.

Mr. Ginwala.—Then I will put to you a general question. In your opinion do you think it possible to get down to those figures?

Mr. Muir.—It is quite impossible.

Mr. Ginwala.—If you take off depreciation it comes to Rs. 139 on 5,000 ton basis and Rs. 131 on 10,000 ton basis.

Mr. Muir.—All his figures are far lower than what we have been able to work out in practice, and I don't think we have been accused of not running

the plant as economically as it is possible to run it. May I take the 5,000 tons in comparison with 5,500? Cost of labour we have commented on; cost of coal we have commented on. As regards labour and superintendence, our figure is practically double his, which I think you will admit is expensive, even allowing that we include the manufacture of pulp into paper which Mr. Raitt does not.

Mr. Ginwala.—The figure you have given for ordinary current repairs, Rs. 12·76, is a good deal higher than his.

Mr. Muir.—We have got mill labour Rs. 36·40, and he admits that labour is difficult to get there, and he put it at Rs. 20. We have put ordinary current repairs at Rs. 12·76 and he has got it at Rs. 5. I don't think there could possibly be that difference whatever advantages his proposed plant may have. Supervision he has got at Rs. 20 and we have to include another figure of Rs. 11 to get an exact comparison, so that general supervision in our own case comes to Rs. 47 and his figure comes to Rs. 20. In this figure of his he has included depreciation. In our figure we have allowed no depreciation. Of course the figures that I now quote are the actual figures on our smaller output.

Mr. Ginwala.—We would like to compare these figures with the other figures when we get them. Then, I was trying to work out your costs under various other headings right through and I was out by several rupees. There must be some mistake.

Mr. Muir.—The amount of unbleached pulp differs from the amount of bleached pulp owing to the addition of imported pulp.

Mr. Ginwala.—I have taken everything into account.

Primary raw materials	110·45
Purchased unbleached pulp	40·23
	<hr/>
	150·68

President.—It would be better if we have the figures from Mr. Muir. It is really the headings of Form II except that you end up in finished paper instead of in unbleached pulp.

Mr. Muir.—You want the cost of manufacturing paper with the added effect of purchased pulp?

President.—No. What we want is the works cost per ton of finished paper as if you have simply started from the beginning without worrying about the intermediate stages.

Mr. Ginwala.—In the same way in which you keep your cost sheet.

President.—Take the heading of Form IV and substitute raw materials for manufactured bleached pulp and strike out the word bleached in Form III.

Mr. Ginwala.—But this purchased pulp goes into your bleaching account.

Mr. Muir.—It is purchased unbleached pulp and is mixed with our unbleached pulp.

Mr. Ginwala.—You have shown it as cost of bleaching. Your cost will appear in an unfavourable light if you add the cost of pulp to the bleaching process.

Mr. Muir.—I am afraid I do not quite follow.

President.—If you divide Form III into 'materials' and 'cost above materials' it would come as 'materials' and not 'cost above materials.'

Mr. Ginwala.—If anybody looks at the account as a whole, he will say that the cost of your bleaching is the difference between Rs. 326·75 and Rs. 265·02. That is not the case, is it?

Mr. Muir.—I see, your point is that bleaching looks very expensive?

Mr. Ginwala.—It comes to Rs. 61·73, whereas you ought to deduct Rs. 40·23 from that.

Mr. Muir.—The difference in cost of unbleached pulp between Forms II and III appears to be Rs. 26 a ton, but this apparent difference is due to the reduction in costs per ton owing to the increased production due to the addition of purchased pulp.

Mr. Ginwala.—I am sorry I don't understand. You take the unbleached pulp in Form III. The cost is Rs. 239-65.

Mr. Muir.—If you want to take the actual figure, the cost of purchased pulp must be added and it comes to Rs. 280 roughly.

Mr. Ginwala.—But your own unbleached pulp costs you only Rs. 265.

Mr. Muir.—The purchased stuff appears rather expensive because our manufacturing figures do not include overhead. They are only actual works cost.

Mr. Ginwala.—I understand it now.

President.—Supposing you have a sufficient supply of your own pulp, what would be the figure? It would not be Rs. 280, if you don't have to purchase pulp from outside?

Mr. Muir.—It would be Rs. 265.

President.—Unless there is no loss.

Mr. Muir.—There is very little.

President.—Is the loss negligible?

Mr. Muir.—That is so.

Mr. Ginwala.—I asked Mr. Carr yesterday about it and they did not seem to get that result.

Mr. Muir.—It is a question of estimation.

Mr. Ginwala.—It is not. It is a question of fact. You get from one ton of pulp pretty nearly one ton of paper.

Mr. Muir.—Yes, after the addition of further raw materials.

President.—The wastage is compensated by the addition of further raw materials in the process?

Mr. Ginwala.—They also use further raw materials. Other things remaining the same, you get from a ton of unbleached pulp one ton of paper?

Mr. Muir.—You have to add thirty-five rupees worth of auxiliary raw materials.

Mr. Ginwala.—They also had to. They said that they would use 1.20 tons of pulp for one ton of paper.

Mr. Muir.—We would give you a similar figure if we take our added raw materials also.

Mr. Ginwala.—That is not the thing. I may be wrong. But that is my impression.

Mr. Muir.—Did Mr. Carr include the added raw materials?

Mr. Ginwala.—He said that they would want 1.20 tons of pulp to make one ton of paper.

Mr. Muir.—There is a loss, I admit, but it is made up by these auxiliary raw materials.

Mr. Ginwala.—What is this freight—item No. IX in Form IV—of Rs. 28 for?

Mr. Muir.—That is what the President was discussing with me. That is the freight we pay. We get a delivered price for our paper and we have to pay freight out of that. That is the total freight that we have to pay.

Mr. Ginwala.—You surely don't add that to the cost of production. It comes out of your takings.

Mr. Muir.—That is the way we work it out.

President.—In comparing prices realized by you and the others, we should go wrong. It is separated out here. Would it not be right to take Rs. 457 as your works cost?

Mr. Muir.—If you deduct the freight from the price realised, you will get the sale price f.o.r. mill.

Mr. Ginwala.—When we take your sale price, we will have to deduct that.

Mr. Muir.—According to the estimate you want you will have to deduct it.

Mr. Ginwala.—Can you give us figures for your pulp plant and the paper plant separately?

Mr. Muir.—It is very difficult to differentiate. But I suppose we can do that. I think that we can give you an estimate.*

Mr. Ginwala.—We want to find out the cost of producing pulp alone.

Mr. Muir.—I would like to emphasise—I don't know whether you will agree with me—that we consider that the manufacture of pulp is really the important thing. The paper process is relatively well-known and comparatively simple. The pulp process, as we have said in our replies to the questionnaire, is the thing that develops the resources of the country. It will be possible to put down a paper mill say in Bombay or Calcutta and use imported pulp, which would be of little or no benefit to the country.

President.—I understand your position.

Mr. Kale.—Don't you think that your cost of developing the resources must be brought down to the cost of developing *sabai* grass and other resources of the country?

Mr. Muir.—My hope is that it will go lower.

Mr. Kale.—Only in that case what you say would be justified. I understand that it is of very great importance to the country that processes should be discovered by means of which raw materials which are not being utilised to-day will be utilised for the manufacture of paper.

Mr. Muir.—Yes.

Mr. Kale.—But in the long run the cost of utilising these raw materials will have to come down to the cost at which other raw materials are being utilised to-day, if not lower.

President.—Is it not an essential condition of the development which you regard as desirable, and which you expect to see, that the cost of making paper from bamboo should be decidedly lower than the cost of using grass?

Mr. Muir.—We hope that it will be.

President.—Because in the case of grass at present there is a shortage of supplies, and some mills are using imported pulp.

Mr. Kale.—You have put down the value of your patent rights at Rs. 3,80,000. Is that the actual price you have paid?

Mr. Muir.—Yes. We paid shares worth that amount.

IV. POWER (INCLUDING FUEL).

President.—In your answer to Question 53, you have given us the operating cost of your electricity supply.

Mr. Muir.—Yes.

President.—It is difficult to compare that with anything. Have you worked out any calculation to see what it would have cost you if you had bought your power from the Electric Supply Corporation?

Mr. Muir.—No. The same boilers supply the digesters steam, the power for the turbine, which makes the electric current, the motive power for the paper mill engine and so it is very hard to differentiate. We can only make calculations.

President.—It is not very important. Does the Electric Supply Corporation go out as far as your mill?

Mr. Muir.—No.

President.—So you have got to produce your own electric power?

* Statement VIII, para. 9.

Mr. Muir.—Yes.

President.—In your answer to Question 56 you say that you use approximately 4.25 tons of coal per ton of finished paper produced. Is that the actual rate at which you were using coal last year?

Mr. Muir.—It does not quite agree with the total works cost given in form I and the reason for that is that last year we used a certain amount of first class coal which does not make the figures quite the same.

President.—You have not yet answered my question. Is it, or is it not, the quantity you actually used last year?

Mr. Muir.—4.25 tons is a little high.

President.—You have actually used less than that?

Mr. Muir.—Yes,* because we used a certain amount of first class coal.

President.—With a plant of larger capacity, would not the coal consumption tend to lower the cost still further?

Mr. Muir.—Oh, yes.

President.—When do you expect that? In the estimate as to what the cost might go down to, it would be useful if you would indicate the coal consumption on which the figure shown against coal and fuel is based.

Mr. Muir.—I have got the figure here in rupees which, as I suggested, was the better comparison.

Mr. Ginwala.—You might give us also the quantities.

Mr. Muir.—The figures are 41.6 and 56.6.

President.—What is the coal consumption per ton of paper?

Mr. Muir.—It appears to work out to 3.1.

President.—That is a considerable reduction.

Mr. Muir.—Yes.

President.—You do anticipate that you will be able to work down to that?

Mr. Muir.—That is our estimate.

President.—The figure that you have now given of fuel consumption per ton of unbleached pulp is 2.1.

Mr. Muir.—Yes.

President.—That was on the same basis as 4.25 tons for finished paper?

Mr. Muir.—Yes.

President.—As 4.25 tons has been reduced to 3.1, the other figure would simply go down in proportion.

Mr. Muir.—I hope so.

President.—For rough calculations, would it be sufficiently accurate if we worked on that basis?

Mr. Muir.—Yes.

President.—In that case you would not be far out if we get down to that?

Mr. Muir.—We get 1.6 for unbleached pulp.

Mr. Kale.—You don't use electricity for the paper-making machine?

Mr. Muir.—No.

Mr. Kale.—Why not?

Mr. Muir.—It is found that the steam engine gives what you might call a more sympathetic drive. That is the only place where we use the steam engine.

President.—What do you mean by "sympathetic drive"?

Mr. Muir.—In the case of electricity, you cannot vary the speed gradually. One knows it from one's overhead fans.

Mr. Ginwala.—You use it to produce the finer qualities of paper?

Mr. Muir.—Yes, you have got to run it somewhat slower.

* Subsequently corrected. See oral evidence dated 15th December 1924 (page 601).

President.—Then there is the question about market. On this question of the export trade, undoubtedly it is one of the possibilities of the future which has got to be kept in the future. But do you regard it as a possibility, say, in the next ten years?

Mr. Muir.—Yes.

President.—Then, the question of price comes up, whether they can get down to the price. Either your cost has got to come down or the world price has got to go up. I have no doubt that both processes will get to work.

Mr. Muir.—If you can develop the industry under the shadow of a protective tariff, I think that there are tremendous possibilities—I would say rather probabilities.

President.—The whole question is how far the possibility of export trade could really affect our recommendations except as a hope for the future. It seems to me, on all that has been said in your representation and all that I have read about it, it has never appeared to me that there is sufficient data to feel confident as to its developing, say, within the next ten years.

Mr. Muir.—One might reasonably hope that it would.

President.—You can hope, but I cannot say that you can reasonably hope. I lay a little stress upon the importance of not being too sanguine about developments. It is quite possible for forecasts to be entirely accurate in substance and entirely wrong in the date of their fulfilment. Hitherto Government have had no data except the anticipations of their own experts. Your claim is that using a sulphite process you have proved that bamboos are an admirable paper-making material, and that the problem of how to use it has been solved. In that case it is for you to show that bamboo pulp can be produced at prices that would produce the great development you expect.

Mr. Muir.—Given the protection we ask for, we will be able to work at a sufficient profit to encourage us to go further with the matter.

President.—Quite, but that is not the claim you put forward in your representation. If you want the Board to accept the statement that you have made about the possibility of an export trade, you have got to show that the cost of production could be brought to a figure at which you could compete in the world's market.

Mr. Muir.—If we were at present able to compete in the world's market, or very close to being able to compete, we should not be in such urgent need of protection.

President.—It does come to that pretty nearly, but in that case is there any prospect of exports in the immediate future?

Mr. Muir.—I think it will be a prospect within 10 years.

Mr. Ginwala.—Before we get to the export stage you must first meet the demand of the whole country. That is the natural process.

Mr. Muir.—Yes.

Mr. Ginwala.—There is still, say, about 50,000 tons more required on the assumption that the demand does not vary much in the meanwhile. It takes about five years, I take it, from the time you start the project to reach your full production. Two years after you actually started your work you have not yet got your full production.

Mr. Muir.—We have got full production of the work: we started two years ago.

Mr. Ginwala.—I mean the economic unit of 5,000 tons.

Mr. Muir.—We have not put down the whole plant yet.

Mr. Ginwala.—From the time you started your works you have taken two years?

Mr. Muir.—But on the works we have put up we are able to produce our normal production.

Mr. Ginwala.—Supposing I want to start paper works now, how long will it take before I get to my full output? How long will it take for me to get

the concession from the Local Government? I have got to set men to work the forests, etc. When the President put the limit of 10 years it was a very full limit.

Mr. Muir.—Provided you have not an enormous amount of experiment to do, I do not see why we should not obtain full production within two years from the date when the first order is placed.

President.—And two more years to get to your full output. It will take at least three or four years to get to your normal cost. It might come sooner if the price of wood pulp began to rise substantially, but that is an element which I do not see how we in this country can gauge at all. It requires expert knowledge.

Mr. Muir.—If Mr. Raitt's figures are correct for Cuttack, there is no reason why, as soon as the Talcher Railway is opened, which is expected to be next year, and as soon as a plant is erected down there, he should not be able to compete in the world's market straightaway.

President.—Mr. Raitt's figures are not yet authoritative. As we were pointing out, your figures did not quite agree with them. We asked you to let us have the figures showing what the price of pulp would have to come down to to enable you to export both paper and pulp.

Mr. Muir.—You have asked for that.

President.—In your answer to Question 70 you say that the pulp is imported on account of the inadequacy of present supply which, however, is due to the fact that economic conditions make it impossible for foreign manufacturers to land their material into this country at unremunerative prices.

I think it should be 'possible'?

Mr. Muir.—Yes.

President.—In the answer to the same question you say "previously a certain amount of wood pulp was imported for certain special qualities of paper. It is now possible to manufacture from bamboo pulp any paper that can be manufactured from wood pulp." We have touched on this point before. There are some expensive writing papers anyhow.

Mr. Muir.—I would like you in support of my statement to examine the Controller of Stationery and Printing, Mr. Ascoli, and I think he will bear us out that our paper is as good as the Home manufacture, and I think that is a very big thing.

President.—You say in answer to Question 71 "We estimate the present domestic market for Indian pulp at 10,000 tons. The possible market is capable of almost unlimited expansion as the country develops." But is there unlimited market for anything in India? The markets are closely limited.

Mr. Muir.—We are supported in that statement by our opponents who arrive at it by multiplying the population by so many tons of paper.

President.—The only people who are taking a large quantity of paper are the Government, and as the bureaucratic Government gradually vanishes the amount of paper used may decline.

I do not understand the last sentence in your answer to Question 71 "Sulphate and mechanical pulps are also imported. The latter is not an economical pulp to import, because it degrades the quality of the paper made without any compensating economy in production."

Mr. Muir.—I understand that mechanical pulp is made into newspaper by a special process.

President.—Which would not apply to the use of mechanical pulp in India?

Mr. Muir.—No.

President.—I should imagine paper mills would not import it unless it was good enough for their purpose and also the cheapest. But you say that sulphate and mechanical pulps are also imported?

* The written reply has been corrected.

Mr. Muir.—I think mechanical pulp is imported in very very small quantities.

President.—Is this point really of any importance?

Mr. Muir.—No.

President.—The classes of paper which are imported into India at present are as follows—

- 6,000 tons of packing paper.
- 19,000 tons of printing paper.
- 7,000 tons of writing paper.
- 12,000 tons of other kinds and envelopes.

These all come to 44,000 tons. You put the production at 33,000 tons. That only comes to about 77,000 tons. I am not quite sure how you got the total of 93,000 tons.

Mr. Muir.—I think these were taken direct from the import figures. Perhaps your figures are more recent. Our figures were taken from the Abstract Table of imports for 1922-23.

Mr. Ginwala.—I am inclined to think that you have included straw boards and things of that kind.

Mr. Muir.—I have taken out the figures under five headings: packing paper, printing paper, writing paper and envelopes, imports of paper—other kinds, and paste board.

Mr. Ginwala.—Card boxes, confectionery covers, etc., I think.

President.—We have ourselves taken the figures from the returns but left out things like straw boards, etc.

Mr. Muir.—As regards writing paper and envelopes. I understand there is already a factory for making these.

Mr. Ginwala.—Take the case of paste boards, mill boards and card boards. You won't perhaps make them out of bamboo pulp.

Mr. Muir.—No, it would be expensive, but some other mills would make them.

Mr. Ginwala.—One mill, I know, made tickets and labels but they were not much of a success. The raw materials are precarious here.

Mr. Muir.—In the Rajamundry mill they have got two plants. One is using paddy straw, I know.

President.—If any of these mills included paste boards in their claim for protection they have got to say so. We cannot assume that things which are not mentioned are included.

Mr. Kale.—When we speak about the prospect of the export of paper do you make it independent of internal consumption?

Mr. Muir.—You mean that we assume that we shall completely supply internal consumption before any paper is exported?

Mr. Kale.—No. I take it the other way. It may just be possible that you may be able to export paper before you satisfy the internal demand for this reason that you have to meet railway freight which may be prohibitive, and perhaps steamer freight may be much more convenient than railway freight in the country.

Mr. Muir.—It may be. I would anticipate, if one may look into the future, that, if protection was given, the result of that would be that you would see mills being built at various suitable points, but it might just be possible that one mill in one part of India might be exporting, while paper was being imported into another part of India.

Mr. Kale.—That was my point: on account of the great distances covered in this country and the heavy railway freights that have to be paid it may be possible.

Mr. Muir.—But I would anticipate that mills will be erected at various points to minimise that disadvantage.

Mr. Kale.—And some mills may perhaps find it profitable to export rather than cater for internal demand.

Mr. Muir.—It might be possible but not I should think in any large quantity.

Mr. Kale.—In answer to Question 66 you say “these prices include free delivery.” Which prices do you refer to?—all the prices included in the answer or only in the latter part of the answer?

Mr. Muir.—All of them.

Mr. Kale.—It extends also to Government purchases?

Mr. Muir.—Yes. They tell you where they want them to be delivered. In the case of up-country deliveries the price is ex-mill but a discount of 1 per cent. is allowed on these deliveries.

Mr. Kale.—So the prices are uniform?

Mr. Muir.—Yes.

Mr. Kale.—If the distances vary, you get various prices from your customers?

Mr. Muir.—We adjust our price accordingly.

Mr. Kale.—You give the prices paid to you by the E. B. Railway and the O. & R. Railway. They seem to be the same. If the freights vary how are these prices the same?

Mr. Muir.—The only item supplied to the O. & R. Railway was 2 tons Blotting which is 2 pies per lb. above the price for the E. B. Railway.

Mr. Kale.—In answer to Question 69 you make a general statement that pulp is sold below the cost of manufacture by several concerns in Europe. It is only hearsay information: you have no direct information?

Mr. Muir.—We have no information that we can produce, but I understand that it is borne out by our competitors who are paper manufacturers at Home.

Mr. Kale.—If you could give us some concrete information it would be useful. These general statements are of little use to us.

Mr. Muir.—That is a class of information which it is almost impossible to get, but I will do what I can.*

Mr. Ginwala.—You can give us extracts from speeches of Managing Directors at company meetings where they say that there is no dividend to be paid on account of this.

President.—We may be able to get certain information from other sources, but it will be useful if you can give us that.

Mr. Muir.—We will do our best but that will necessitate our referring Home.*

VI. FOREIGN COMPETITION.

President.—In answer to Question 73 you say that you anticipate that competition will become keener from Germany as you believe it is this country's intention to give very low freights to exporters by German lines. One knows of course that, before the war, the German transport system, by rail and sea, was very elaborately organized to favour German exports, but is this expression of your views merely an intelligent anticipation based on what they did before, or is there anything more behind it?

Mr. Muir.—It is nothing more than an intelligent anticipation. I have nothing by way of proof.

President.—Therefore, at this stage, all that we can say is that it is a factor which might prevent any rise in the price of paper. Competition in the paper trade is likely to be intense for some time to come. To that extent I regard it as perfectly reasonable. One would want a little more evidence to make more of it than that.

Then, in answer to Question 74 you say “Competition is particularly keen in white printings and writings.” We were told, for instance, by Mr. Carr that practically all the *badami* and unbleached paper that was used in the

* Statement VIII, paras. 6 and 10.

country was made in the country. It does not so much concern you, this *badami* and unbleached, as it concerns them?

Mr. Muir.—We are making it chiefly under compulsion to-day.

President.—What kind of imported paper would practically tend to keep the prices of *badami* and unbleached down? There must be something foreign which could be used for the same purpose, otherwise the prices would be determined solely by internal competition. What it comes to is this that the foreign mills do not make that kind of paper, but it is conceivable that the cheaper kinds of paper they make could be used and would be used if the prices of *badami* and unbleached went up.

Mr. Muir.—I think the consumption of newsprint has actually gone up.

President.—Do you think that paper of this kind would be used for that kind of purpose?

Mr. Muir.—I think so.

President.—I imagined that the Indian consumer was fairly conservative in the matter and would not change very readily.

Mr. Muir.—Cheapness is a very great factor, and newsprint comes in at a figure considerably cheaper even than *badami*.

President.—If the difference is made a little wider what would be the result?

Mr. Muir.—I think it is reasonable to suppose that increased consumption of newsprint might be the result.

President.—You have said that competition is particularly keen in white printings and writings and then you say in the next answer "The paper with which we have to compete is made from wood pulp and *esparto* grass." Is printing paper made mostly from wood pulp?

Mr. Muir.—Yes. A certain amount of other papers I understand, chiefly German, is coming in partly made of mechanical pulp.

President.—What class of grass are these papers that come into India made from?

Mr. Muir.—*Esparto* grass; they are chiefly the better class of paper.

President.—Would it be writing paper or some other kind?

Mr. Muir.—I think it is the higher class of writing papers.

President.—In answer to Questions 76 and 77 you say "Although the duty has been calculated on the *ad valorem* value instead of on the tariff valuation, it will be noticed that an additional 5 per cent. has been added by the Controller which compensates for this difference." You mean to say that the Controller of Printing has calculated the duty incorrectly, that if there is a tariff valuation he ought to have calculated it on the tariff valuation?

Mr. Muir.—I think that approximates to it.

President.—But the 5 per cent. is intended to cover quite different things, probably the fact that if he imported the paper he would have to stock it, whereas if he purchases from the local mills they practically carry it for him.

Mr. Muir.—The 5 per cent. is intended to be an allowance to the local mills for this, but the calculation of duty *ad valorem* neutralises its benefit to us.

President.—I understand that is the main reason for the 5 per cent.; is the one I have given, there may be subsidiary ones as well. I think if he has incorrectly calculated the duty it ought to be correctly calculated, but it would not make so very great a difference.

Mr. Muir.—I think that is correct.

President.—Is the tariff valuation higher or lower than the invoice value?

Mr. Muir.—The tariff valuation is higher because it is the market price in the country. I don't know if I can bring it in in this connection that I have got here some original invoices, and it is interesting, in view of our competitors' report of mills in England losing money, as illustrating our argument in connection with what you might call (dumping), that they themselves are

importing, for instance, Austrian white printing and we have heard that they are importing German cream laid.

President.—We shall be glad to have any invoices you can give us showing the prices at which imported paper is entering the country.

Mr. Muir.—It has special reference to a statement made by importers that mills in England are losing money, because it shows that, although the mills are losing money, these countries with depreciated exchange are able to land their papers at a lower price, because they are English concerns and importing German papers in preference to English.

President.—I don't think Germany or Austria is at the present moment a very good example of the depreciated exchange. In Austria the exchange has been stable for months past, and in the case of Germany there was a period not so long ago when prices were considerably higher than prices elsewhere. However, we shall welcome any information you can give us as to the prices at which paper is actually entering the country. When you get back to Calcutta if you will send us copies of the invoices which you think would be useful to us, we shall be glad to have them.

Mr. Muir.—Yes, I shall do so.*

President.—In your answer to Question 79 you say "Regarding pulp, a glance at any recent Trade Journal will show that the market is giving producers a good deal of anxiety, and many mills in Scandinavia are running at a loss on the figures now prevailing." If you could help us by giving extracts from trade journals it would be useful.

Mr. Muir.—I will.†

President.—In answer to Question 85 (c) you say "Ordinary labour per head is cheaper in this country, but owing to larger numbers being necessary to do any particular job, and the fact that spare men have to be kept for replacement and training in case of illness, the actual cost does not show any advantage as compared with Western countries." Taking the case of your own mill you have given the number of men employed. Supposing your mill had been in England instead of in India, how many men approximately would you employ?

Mr. Muir.—I cannot give you that answer without reference.

President.—It would be useful, because the information we had from Mr. Carr was that for every 12 men employed in India, 3 men would be employed to obtain a similar output in England. The point that I brought to his notice was this, that English wages are more than 4 times as high as Indian wages, and if he employed 4 times as many then his labour cost per ton of output was probably below the British. You may be quite right in the opinion you have expressed that the actual cost does not show any advantage as compared with Western countries, but it would be useful to examine the point from that point of view.

Mr. Muir.—You want the relative cost per ton?

President.—If your people at Home could give us the information it would be useful.

Mr. Muir.—I think they would probably be able to give it; they have much experience in the paper trade.‡

President.—We want figures which can be called typical. Anything that they could send out would be exceedingly interesting. In the next clause you say "Owing to labour not yet having become accustomed to working for a new industry which they regard with suspicion, we are at present at a disadvantage in this respect." Does that apply to both classes of labour, or only to the people in the field?

Mr. Muir.—That refers only to the people in the field. We have specifically said "for collection and transport."

* Statement VIII, para. 12.

† *Ibid.*, para. 13.

‡ *Ibid.*, para. 14.

President.—Then in clause (e) you give figures for bleaching powder and the extra cost which the Indian manufacturer has to incur. If you made your own bleaching powder, a part at any rate of that disadvantage, I take it, would probably disappear?

Mr. Muir.—Yes.

President.—So that the disadvantage in bleaching powder is temporary?

Mr. Muir.—We hope to be in a position to put up our bleaching plant and the conditions will then improve.

President.—Then you say “We believe freights in this country are higher than in England owing to the long distance between various consuming centres.” From the figures given by you elsewhere it applies equally to yourselves and to the importer?

Mr. Muir.—That is so.

President.—In the case of this particular industry you both start from the same point?

Mr. Muir.—That is so as regards paper imported through Calcutta.

President.—You have got an advantage of 30 miles which is not very much.

Mr. Muir.—Yes.

President.—There have been in the past frequent complaints. I remember that a match factory at Ahmedabad complained that the freight from Bombay to Delhi was a good deal less than the freight from Ahmedabad to Delhi, but you actually get as low rates as the importer gets.

Mr. Muir.—We do not go into the Bombay market, but to Rangoon the freights are possibly nearly as high as the importer has to pay.

President.—I think that is very likely the case, but still from the broad point of view it is not of great importance if paper mills are likely to be established in Burma.

Mr. Muir.—That is right.

President.—That is not a market you can permanently hold from Calcutta, if they ever get going in Rangoon.

In answer to clause (h) you say “There is no bleach-making industry in India, and we do not know that it is even suggested that this commodity should be manufactured in this country.” You mean manufacture for sale?

Mr. Muir.—Yes, manufacture for the market.

President.—In answer to Question 86 (a) you say “Should the industry expand sufficiently to justify the engineers putting down paper-making plant machinery, this would tend to disappear.” There again I put to you the point that, on the contrary, it might become accentuated.

Mr. Muir.—I accept the correction; in any case I think that such specialised machinery is not likely to be manufactured within our figure of ten years.

President.—All that is likely to be manufactured is conceivably simple kinds of spare parts for engineering firms.

Mr. Muir.—Even in the case of great industries like the jute industry and the cotton industry, the manufacture of machinery for them has hardly begun.

President.—Then in clause (f) you say “We hope that freights on finished goods will be reduced in the near future, and also that special concessions will be given to finished goods.” So far as your railway freight up-country is concerned, I don’t quite see why it would do you much good. So long as the railways are administered on commercial principles, it is very difficult to give any lower rates to goods manufactured in India than to goods imported from abroad. So that it is really the consumer who is likely to benefit out of any reduction in freight.

Mr. Muir.—It is true. It might be possible that we might get reduced rates by sea.

President.—I have not seen the Report of the Indian Mercantile Marine Committee. Sea freight reduction is very desirable, if possible, but we cannot calculate on it as yet. Of course, it is altogether anomalous that the freight from Calcutta to Rangoon should be as high as it is. However, that is a very wide question that we cannot explore.

Mr. Kale.—Among the countries that compete with you you have not mentioned Austria. Is not Austria a producer of paper?

Mr. Muir.—I should have put in Austria. In fact two out of the half a dozen invoices I have brought in are Austrian.

Mr. Kale.—Do some of the countries, Norway and Sweden, for instance, specialise in pulp production or do they manufacture both pulp and paper?

Mr. Muir.—I am speaking without expert knowledge, but I understand Norway and Sweden are chiefly pulp producers.

President.—A great deal of paper then comes from these countries. For instance, take the average figure for the 4 post-war years. Out of 19,000 tons of printing paper 8,400 came from Norway and Sweden, much more than any other country sent. Next comes the United Kingdom with 5,700 tons. So it does not mean that only pulp is manufactured in Scandinavia. These countries account for more than two-fifths of the whole imports of printing paper.

Mr. Kale.—Do the manufacturers in the United Kingdom import their raw materials for the manufacture of paper?

Mr. Muir.—I believe entirely.

Mr. Kale.—So that the manufacturers there, as compared with Germany and Scandinavia, are not in a favourable position?

Mr. Muir.—I think especially as compared with Scandinavia.

Mr. Kale.—Yet how is the United Kingdom able to compete with this country?

Mr. Muir.—I think 't is her geographical position that enables her to compete.

Mr. Kale.—Or is it her mechanical efficiency? Is that the advantage which the United Kingdom enjoys over other countries?

Mr. Muir.—That I cannot tell you.

President.—In paper as in many other things the industry is largely dependent on cheap coal. England had a big advantage in that respect, but it has been lessening and it is a question how long it will continue.

Mr. Kale.—I think in Scandinavia they now use water power.

Mr. Muir.—Yes, chiefly.

Mr. Kale.—In answer to Questions 76 and 77 you give the prices that you have obtained for your papers, and the price of imported paper. Are your prices governed by the price of the imported paper?

Mr. Muir.—They are very largely governed by the price of the imported paper—we may say by the world's prices of paper.

Mr. Kale.—You say in answer to Question 85 "Customs duty is a severe handicap indeed and, while we do not object to a high duty where the materials taxed in this way are being satisfactorily manufactured in this country, it does seem wrong that materials which no one is manufacturing suitably in this country should be heavily taxed." You assume there that these import duties are protective. They are revenue duties levied irrespective of the effects upon manufacture.

Mr. Muir.—Yes, but I don't think we touch upon this point: we just show that it is a severe handicap.

Mr. Kale.—I just wanted to draw your attention to the fact that, when these duties were levied, Government wanted revenue from whatever source.

it might come, and they imposed these duties. Now it is for you to convince the Government and the Legislature that they ought to sacrifice this revenue which they are receiving from these raw materials in order to assist the industry. So the answer will turn now upon the policy which has got to be modified.

Mr. Muir.—Is there a question of Government removing these duties to help the industry?

Mr. Kale.—The whole question how far the tariff can be modified or special concessions made to prevent the revenue tariff operating to discourage Indian industries is sure to come up.

At the end of your reply to Question 86 you have expressed the hope that the Customs duties on raw materials would be temporary. Whether they are temporary or permanent will depend on what policy the Government pursue in view of the protection?

Mr. Muir.—It depends on what view they take as to the protection of the various industries.

VII. EQUIPMENT.

President.—As regards Question 87, from what was said this morning, I understood that you regard a mill of 5,000 tons capacity as the smallest economic unit.

Mr. Muir.—Yes. That is just double our plant.

President.—Have you any information as to the size of paper mills in England?

Mr. Muir.—No.

President.—It might be useful to know whether that 5,000 ton mill would be regarded as big enough in England, or as rather on the small side.

Mr. Muir.—I would probably be able to send you that directly I get to Calcutta.*

Mr. Kale.—In your answer to Question 88 you have attempted to make out what appears to me to make a very good point, namely, that if imports of paper alone were to be subject to a higher duty without pulp being protected, the real work of protection would not be done, because it is more important from the national point of view that its raw materials which are lying waste should be exploited and, if pulp is allowed to come free into this country, or with a small duty imposed upon it, then it is just possible that imported pulp might be used for manufacturing paper.

Mr. Muir.—Yes, and almost the entire benefit of protection, apart from the question of income-tax, might be lost to the country.

Mr. Kale.—It would be prejudicial to the best interests of the industrial development of the country.

Mr. Muir.—I should think so.

Mr. Kale.—The development of the country depends upon the exploitation of its raw materials.

Mr. Muir.—Yes.

VIII. CAPITAL ACCOUNT.

President.—In your answer to Question 99 you say "We regret it is not possible for us to give an estimate of present-day cost owing to the short time available." We should be very grateful if you could send us the information later on.

Mr. Muir.—Yes, I shall send it you.†

President.—We should also be grateful if you could try and get us information simultaneously as to what the capitalisation per ton of output is in a country like England.

Mr. Muir.—Yes.‡ That would have to be for paper alone I think.

* Statement VIII, para. 15.

† *Ibid*, para. 16.

‡ *Ibid*, para. 17.

President.—Yes. The reason why I ask for this information is to get a measure of the handicap under which the manufacturer in India labours.

Mr. Kale.—In the same answer you say “We do not see any reason to suppose that the operating cost of any new mill could be less than ours.” Why do you say that? Is it because you have an up-to-date mill?

Mr. Muir.—That is, as regards efficiency.

President.—As regards Question 113: the question is “Are you in a position to furnish the Board with information as to the works cost of pulp and paper in any competing country for any year since the war” and you say that you could not give us at the time available. That I can understand. There again, if you think it likely that you can get us the information, we shall be grateful.

Mr. Muir.—I think that we shall be able to obtain valuable figures from England.*

President.—They may know of discussions on the subject in technical journals or even in publications of various kinds.

Mr. Muir.—There is a sort of established practice. For instance, many people could tell you what it costs you to put up a jute mill to-day. They could tell you without giving away any technical secrets.

VIII. (iii) AGENTS' COMMISSION AND HEAD OFFICE EXPENSES.

President.—In your answer to Question 126 you say “If commission was paid, it would be 2 per cent. on nett sale-proceeds.” I am not quite sure that I understand what the nett sale-proceeds are.

Mr. Muir.—That is, deducting just the freight.

President.—That is practically on the output?

Mr. Muir.—Yes. But we have not drawn anything.

President.—Is not that unusual?

Mr. Muir.—It is very usual in this country. Our competitors (the importers) refer to it as a reason why some of the paper mills have been and are turning out large quantities. I don't think that it is very fair. The bulk of the jute mills are paid on outturn, and certainly for the last two years they have been running only four days a week.

President.—The main importance to us is just to what extent this is a fair charge to take into account in framing any proposals we may make about protection, and if the result was to increase substantially the profit that had to be earned as compared with another system of calculations of commission, I hold provisionally that it is inadmissible.

Mr. Muir.—This is the most usual way of remunerating Managing Agents.

President.—We have not come across it hitherto. In all the cases that we have seen so far, the commission is calculated on profits and that has certain obvious advantages. It is a stimulus to the Managing Agents to earn profits.

Mr. Muir.—I may mention that if we were paid by a commission on profits, our office allowance would need to be considerably higher.

President.—Is this Rs. 1,000 allowed for Secretaries, separate from the commission?

Mr. Muir.—Yes.

President.—How would the office allowance be increased?

Mr. Muir.—The Agent knows that he can rely on receiving something out of commission on output. In the case of a commission on profits which may or may not materialise, the usual practice is for the office allowance to be fixed at a higher rate, to cover expenses.

President.—It occurred to me the most reasonable way of dealing with the Managing Agents' commission is somewhat as follows. In a certain sense

* Statement VIII, Appendices I and II.

part of the Managing Agents' commission is a perfectly fair charge in the cost of production, because the agents incur expenditure and it must be incurred by somebody on behalf of the industry. That work has to be remunerated, but it is a little embarrassing for the purpose of our calculation to say that the fair rate of Managing Agents' commission is so much. We are hardly in a position to pronounce dogmatically on that point, and therefore it seemed to me that a simpler way of dealing with it might be found. The figures I am giving are purely illustrative. If 8 per cent. is a fair return on the capital to the shareholders, then we might take a slightly higher rate, say $8\frac{1}{2}$ per cent. or $8\frac{1}{4}$ per cent., to cover the commission. Do you think that that would be a reasonable way of dealing with the matter?

Mr. Muir.—I think that it would be a reasonable way of proceeding.

President.—When we propose protection we have to make a recommendation to the Government of India that a duty should be imposed at a certain rate. One of the reasons we give is that the fair price for the manufacturer in India is so much. In arriving at this price, we have to include a fair profit on the capital required at a reasonable rate of interest, and my suggestion is that the rate should be raised a little to cover the Agents' commission. It does not affect anything except our recommendation as to the amount of protection.

Mr. Muir.—If you consider a dividend of 10 or 11 per cent. as a fair dividend for shareholders, that would be a very fair recommendation.

President.—I am not asking you to commit yourself to any definite figure, but as to the method.

Mr. Muir.—Quite.

Mr. Kale.—The only objection that is taken to the Agents' commission being dependent on production is that oftentimes, while the firm is actually making a loss, the Agents continue to receive their remuneration. It has so happened for years in certain factories I know and therefore in Bombay that system has been dropped.

Mr. Muir.—You will see that we have foregone all commission from the commencement.

President.—Professor Kale is speaking of a state of things which at one time existed.

Mr. Muir.—I appreciate the argument. It has been brought up in our part of the world before now.

Mr. Kale.—Can we say that there is at any given time in any given country what may be called an average rate for the remuneration of agents?

Mr. Muir.—I think that the system of Managing Agents is almost a peculiar one to India, but I think that you can take this as a fair standard of average remuneration.

President.—What would the commission amount to in this particular case on your actual output?

Mr. Muir.—Rs. 27,000. May I revert to Professor Kale's last question? Of course, it is usual for the Managing Agents to be associated closely with their companies in the share-holding. In fact in a great many companies, the Managing Agents or those concerned with them hold a very large proportion of their shares.

President.—To my mind there is the danger that they will get into the habit of a certain procedure where they hold a large number of shares, and it does not occur to them to change the procedure in cases where they do not.

Mr. Muir.—It is the usual practice for Managing Agents to be associated with companies by holding shares.

President.—All shareholders have equal rights. It may make no difference if a considerable number of the shares are held by the Managing Agents, but it does make a difference where they are not so held.

Mr. Kale.—If it is to be generally put it can be put like this. The rate of the Agents' commission must be a rate which must be paid if the initiative in starting industries is to be taken in this country. But I want to put a money value on that.

Mr. Muir.—I think that it is open to abuses. That is where the shareholders rely to some extent on the reputation of the Managing Agents.

XI. CLAIM FOR PROTECTION.

President.—In your answer to Question 132 (a), you claim that the industry has an advantage in the matter of raw materials, cheaper power in the shape of cheaper coal than is obtainable in most foreign markets, etc. That is just the question. Indian coal is undeniably cheaper per ton but is it cheaper per ton of paper, or would it be cheaper per ton if you get your consumption of coal down to 3.1 tons which you hope to do?

Mr. Muir.—Whatever basis you take, I think that it is cheaper.

President.—After all, when you get down to what you hope to, will your fuel and coal charge be lower than that of the foreign manufacturer?

Mr. Muir.—Generally speaking, yes. Of course, if a foreign manufacturer was situated alongside coal mines, he would be cheaper, but generally speaking we would be cheaper.

President.—But on the basis of 4.25 tons of consumption, have you any advantage?

Mr. Muir.—My remark was merely based on the price of coal per ton of paper. To compare the value of coal, you must consider whether if you have a pound of water to evaporate with Indian coal in Calcutta or the English coal in London, would you evaporate the pound of water cheaper in Calcutta or in London.

President.—Unless you can carry it on from paper to water?

Mr. Muir.—Don't you go into the efficiency of the process?

President.—Taking quality into account it may be necessary to use so much coal in India.

Mr. Muir.—That is why I have taken rupees for coal per ton of paper instead of quantity of coal.

President.—Given efficient management, you hold that the coal and fuel bill to the Indian manufacturer ought to be lower than to the European manufacturer?

Mr. Muir.—Yes.

President.—I think some of the mills will have to cut down a bit on their present consumption.

Mr. Muir.—Processes are different.

President.—I am not thinking of you; I am thinking of the other mills.

Mr. Muir.—Other things being equal our coal bill should be on the average less than the Home manufacturers'.

Mr. Kale.—Are you referring to your factory or other factories in India?

Mr. Muir.—I am referring to the price of coal at our factory.

President.—Supposing you were working with the same process at a similar factory in England, would your coal bill be higher?

Mr. Muir.—I expect coal bills would be higher in England than in Calcutta, other things being equal.

President.—Are they equal in the paper trade?

Mr. Muir.—You might have a paper mill at Home situated very near the coalfields and another a hundred miles away from it. The former might be getting their coal cheaper than we can do.

President.—That is a thing you have to take into consideration that the British manufacturer has very many opportunities of establishing himself in the closest possible vicinity to his coal, whereas out here you can only do that in one particular district.

Mr. Muir.—For instance, the Bengal Mills at Ranigunge.

President.—You have got to go to Ranigunge or Jheria—these two areas, if you want to be absolutely beside your coal, whereas the British manufacturer may, within limit, go wherever he likes, and is still close to the coal.

Mr. Muir.—He can be close to the sea as well but not nearly so close to the raw material as in India.

President.—That is a natural advantage which England possesses and which India does not.

Mr. Muir.—But on the whole the cost of our fuel is cheaper.

President.—How far from the coalfields does this advantage that India possesses extend?

Mr. Muir.—It extends as far as Calcutta, I think, but it has got to be dealt with separately for particular cases.

President.—There again, if the industry is to be limited to the area in the neighbourhood of Calcutta and the coalfields, it will be very difficult for them to hold the Bombay market.

Mr. Muir.—A company put in the neighbourhood of Talcher coalfields should be at an advantage.

President.—Is it not on the other hand rather away from its markets?

Mr. Muir.—Not very.

President.—I know that coal discoveries have been made in various places, but still coal is not distributed in India favourably for general industrial development. How far on the Western side of India that may be minimised by the use of hydro-electric power is an interesting question. There was a proposition, I believe, to make bamboo pulp in the Western Ghats and use hydro-electric power. Concessions were asked during the war time.

Mr. Muir.—I believe that another firm was considering making bamboo pulp on the Bombay side.

President.—There may be all sorts of difficulties: communications may be exceedingly bad, and there may be difficulty in regular steamer callings to remove the stuff. However, I think I understand what your view is.

On the next page (still in clause (b)) you say “There are other countries very suitable to the development of the manufacture of pulp and paper from bamboo.....” What countries are you thinking of particularly? There must be a great many of course.

Mr. Muir.—I think I would rather not disclose it at the moment, but I know there has been project for the development of the bamboo paper industry in at least one other country, and I do think that is an important point because there is a great deal of advantage in getting a start.

President.—I quite see the point. There is just this other thing: It may be that the bamboo pulp will not come to its own until the exhaustion of the wood supply has gone a bit further, and raises the price of wood pulp. If on the other hand development is faster than I expect, it may be the other way round. There are both aspects to consider. If you start prematurely, a great deal of money may be thrown away without producing any result.

Mr. Muir.—Our advisers in this matter have very vast experience of the paper markets of the world and I understand that they were willing to make a start rather before they did if it had not been for the war, and they did not consider the moment at all premature.

President.—One hears a great deal about the exhaustion of wood pulp and it is probable that the rise in prices has become imminent.

In answer to Question 133 (b) you say that the whole needs of the country could be supplied by Home production. That is subject to the importation of newsprint and a small quantity of very high class paper.

Mr. Muir.—Unless the demand for that high class paper increases very rapidly, in which case our mills would manufacture it.

President.—Even if it did so far it has to depend on linen rags.

Mr. Muir.—I think there is a very small proportion of such qualities.

President.—But the newsprint is important.

Mr. Muir.—Yes.

President.—Until at any rate mechanical pulp can be made from bamboo.

Mr. Muir.—Yes.

President.—In the next answer to Question 134 you say “the pulp industry is the first essential of an independent paper supply. We might put it that the pulp industry is an essential key industry, and given the establishment of pulp industry, paper is bound to follow.” I hardly think that that was meant in the sense that you have just got to start and make pulp. Unless somebody is making paper there is nobody to buy pulp in India. Unless you yourself make it and somebody buys it, nothing follows.

Mr. Muir.—But if the paper and pulp are both protected, is it not reasonable to say that if the pulp industry is set up and pulp and paper are both protected, does it not necessarily follow that one will follow the other?

President.—If you merely mean this, that there is no particular use of developing the paper industry unless there is a pulp industry, then I agree with you, but it rather suggested, to my mind, that the pulp industry can go on without paper.

Mr. Muir.—I meant practically what you have said.

President.—In answer to Question 135 you say “The world’s resources of pulp wood and other primary raw materials are rapidly diminishing, and re-forestation is a matter of years, whereas India’s tropical climatic condition can reproduce paper-making fibrous growth in 3 or 4 years. The paper industry is constantly on the look-out for new sources of suitable raw materials. The two materials which are being particularly experimented with at the moment and on which hopes for the future are being built are bamboo and straw. The manufacture of paper and pulp from bamboo is past the experimental stage now, and as it is an infinitely superior fibre to straw, with reasonable support in the early stages of the industry, there is no reason why bamboo pulp should not in the course of a very few years supply a great proportion of the world’s demand for paper pulp.” That is, of course, of first class importance. That is a great advantage sooner or later you must have. As the trees go out the bamboo must come in.

Mr. Muir.—Yes.

President.—In answer to Question 136 you say “We are strongly of the opinion that to impose a duty exempting certain kinds of paper will be to confine the development of paper trade to certain narrow channels and to prevent its spread over the broad fields which it may very well otherwise occupy. Furthermore, for practical reasons, we consider that duty excluding certain kinds of paper will be impossible to administer satisfactorily on account of the practical difficulty in distinguishing the various qualities, especially when there will be every inducement to shippers to try and evade the customs duty.” Of course, I quite see there are these practical difficulties, but what about newsprint? Is there any practical difficulty there? I realise there are other reasons for not exempting newsprint, but I want to understand the practical difficulty.

Mr. Muir.—I believe that a paper chemist can provide a simple chemist’s test by which paper with a certain amount of mechanical pulp can be differentiated from other papers.

President.—I imagine the thing could be done.

Mr. Muir.—I think it is done.

President.—I think newsprint would be a comparatively simple case.

Mr. Muir.—May I say we would not object to the importation of newsprint at a reduced duty where it would be confined to the consumption by newspapers? For instance, it would be possible to admit newsprint under license to newspaper companies.

President.—I think that suggestion was made by somebody else too, but I do not remember in which representation. It was suggested that it should be imported under a license.

Mr. Muir.—There is at present a revenue duty.

President.—I think that the newspapers will have a very strong case to put up against the paper manufacturers, and will press that the duty on newsprint should not be raised.

Mr. Muir.—We would not object to that.

President.—I recognise that. After all, if they are using paper which you cannot make, it is certainly very hard to put up their price because they have still got to continue buying that paper by paying extra, and you get no benefit out of it.

Mr. Muir.—Yes.

President.—Still there is practical difficulty on the other side. In the case of the "Statesman," "The Times of India" and other big papers who consume a large amount of paper and who have got a large circulation, their figures could be relied on. It would be very difficult practically if the license system were to be extended to the other newspapers of the country. Some of them might continue to use country-made paper that they use at present, but the economy effected by importing would be larger than at present.

Mr. Muir.—I do not suppose a number of smaller newspapers would be in a position to finance themselves for purchases from abroad.

President.—But in that case would it be said that the license system was favouring the richer newspapers at the expense of the poorer ones.

Mr. Muir.—Smaller newspapers at the present time have to pay more for their newsprint than the larger newspapers who buy direct.

President.—This would accentuate it.

Mr. Muir.—I should think that most of the newspaper printers could get importers to handle their paper for them under their licenses.

President.—What I was contemplating was that only the larger and more influential newspapers could practically take advantage of the license system because they are the only people who import direct.

Mr. Muir.—Don't you think that the smaller newspapers would be able—

President.—I think any system by which a number of newspapers combined to get their newsprint by importing through a dealer would lend itself directly to a fraud on a large scale. The circulation of a large newspaper can be verified: in the case of a small newspaper how can you depend upon it? These smaller newspapers are run by all standards of men.

Mr. Muir.—There is no objection to the newsprint coming in at a reduced duty for the newspapers, but the difference will be so accentuated between the newspaper and the lowest type of other paper that it is a question to what extent it will damage the ordinary paper market.

President.—Yet I feel some difficulty on the whole question—this proposal to allow importation of newsprint under license.

Mr. Kale.—I think this inferior kind of paper is used for the type of literature of a temporary nature such as novels and so on.

Mr. Muir.—That is what I believe too.

President.—Supposing a publishing house came and said “why not give me a license,” how could you refuse?

Mr. Kale.—There are thousands of newspapers spread over the length and breadth of the country who will have to depend on very small dealers, and there will be great complication in the arrangement. Had there been a few importers and users that could have been done.

Mr. Muir.—I realise the difficulty. I have thought a good deal about it without coming to any satisfactory conclusion.

President.—It is not a simple matter by any means. You say “It is often false economy to use cheap papers of this kind.” I do not know what sort of papers you were thinking of.

Mr. Muir.—The paper disintegrates, it takes printing badly and it produces an inferior type of print.

President.—On the other hand there is a large amount of printed matter which may with advantage be evanescent!

In answer to Question 139 this is the proposal you make “that a protective duty should be imposed immediately on both paper and pulp simultaneously and that a similar rate of duty on each is desirable.” I do not quite see why the rate of duty should be similar, but I think in the case you are putting forward you are quite entitled to say that it is an essential part of the development of the paper industry in India that the duty on pulp should be adequate to secure development of domestic material. Whether it is a similar rate or not depends upon what is adequate. That is what it comes to. As a matter of fact Mr. Carr told us that it was on the whole cheaper to use wood pulp than to use grass, but that the state of affairs was tending to pass away, and he thought he would increase the consumption of grass and reduce the consumption of wood pulp.

Mr. Muir.—That is because mills cannot manufacture better qualities out of grass. We are the only mill in India that can manufacture the best qualities of paper, and on this point the Controller of Stationery will be able to give impartial evidence.

President.—Then there is a good deal said in various parts of the representation about the dumping of paper pulp in India below the cost of production. We have asked you to give us copies of invoices and anything you could get from Trade Journals about unremunerative prices. But have you any evidence of what I may call deliberate dumping? Once it is established that protection is in the national interests, then the industry has got to be protected whatever the cause of low prices. To my mind it does not particularly matter why the imported prices are low.

Mr. Muir.—What do you mean by evidence of deliberate dumping?

President.—You have alluded to the possibility or probability that Germany might start subsidising freight. Deliberate dumping I should call anything done by means of bounties, or by means of subsidies to shipping, or on exports, or, in the case of a country which had its domestic market protected, the systematic unloading of its surplus on foreign markets might be called dumping. But when a manufacturer merely sells his product cheap in order to keep his mill going, I do not call it deliberate dumping.

Mr. Muir.—Supposing a mill has its main market in its own country and its production is more than sufficient for the time being for the country's requirements. It pays that mill to get its full output in order to keep its costs low, and it also pays it to sell its surplus production in an outside market at a low price in order to maintain its home market for its main output.

President.—That might be deliberate dumping, in the case of a country which has a protective Home market. Otherwise, it is bound to be the normal feature of trade until things begin to get a little better, and as long as this intense competition in all branches of manufacture continues all over the world. In that sense you are dumping to-day in Bombay as you

have got to sell at a lower price there than you get in Calcutta. It is so to speak a normal business process and I do not know how you can help it. Take the case of Tatas. They are selling pig iron in Japan at very low prices and are trying to sell that at still lower prices in the European market. I should personally be willing to protect an industry irrespective of the cause of low prices, provided the various conditions laid down in the Fiscal Commission are satisfied, and it seems likely that eventually the industry can hold its own.

Mr. Muir.—I do not know if you will consider this evidence: it is not really any proof: It is a wire from Messrs. Nelson who have deep knowledge on the subject, and they use the word "dumping." I think they allude actually to surplus production.

President.—It is only the use of a word. However, I understand what the position is. Turning now to this question of the imposition of the duty on pulp; you say—

"We do not believe in any delay in imposing the duty on pulp, as this would appear to have obvious disadvantages:—

1. It would place the industries which manufacture direct from the raw material at a disadvantage as compared with mills which produce largely from imported pulp.
2. The pulp industry is one which directly develops the country's resources, and any delay in the imposition of the duty on pulp delays development of the country, along with that of the industry.
3. If the duty on pulp be delayed, this country will in the meantime be flooded with imported pulp.

In addition to large supplies which the consumers will probably buy, dealers will stock large quantities and gain for themselves the benefit of these duties which would otherwise go to Government.

4. The industries which largely consume pulp are the older paper mills, which have accumulated large reserves during the years of prosperity. The young industries which are most in need of protection are the ones which require duty on pulp."

Whether or not there is to be protection, how long after that will it be before you will have any surplus pulp to sell or before anyone else can put up a factory?

Mr. Muir.—I should think that a concern—I am not talking of the existing factory—could have a bamboo coking plant ready and start delivering in about six months.

President.—One of the bigger mills?

Mr. Muir.—Yes.

President.—It is probable, is it not, that the bigger mills, in the event of both paper and pulp being protected, would not contemplate purchasing pulp; they would start manufacturing their own pulp?

Mr. Muir.—Yes.

President.—So that possibly it would only be a few smaller mills that would purchase bamboo pulp. I do not know if there would be any, but I think there might be some.

Mr. Muir.—In the meantime, of course, it is always possible that one of the existing paper mills might approach us or any other firm manufacturing pulp to supply their requirements of pulp.

President.—They might, but it is not likely.

Mr. Muir.—There were negotiations originally when we intended to put up our pulp mill. They did approach us.

President.—I do not quite see why you consider it necessary that the duty on pulp should actually take effect simultaneously with the duty on paper, because the buying and selling of pulp is going to be quite a small business as far as the internal consumption of the country is concerned, and therefore not to the interest of the country.

Mr. Muir.—As I said, our intention originally was to put up a pulp mill and sell pulp to the local mills.

President.—Very likely. But as far as I can judge it does not seem at all likely that things will develop on those lines. Of course, there is one contingency; the attempt of the other mill to manufacture bamboo pulp might fail.

Mr. Muir.—They are fairly confident, are not they?

President.—The Bengal Paper Mills, I think, will take it up if there is protection. Without protection they say they cannot incur the outlay. How would you recommend a proposal of this kind that the higher duty on pulp should be included in the legislation, but should not become effective until after a certain time?

Mr. Muir.—What would you call (a certain time)? Can you give me an idea as to that?

President.—A time would have to be fixed after enquiries as to the time that was likely to elapse before pulp could actually be produced. You have not got any to sell at present.

Mr. Muir.—We are at a disadvantage because at present we cannot make our pulp in competition with the foreign pulp. Therefore an importer, who imports his pulp and uses it, has an advantage as compared with us until the duty is imposed.

President.—The only person who has any advantage is your competitor in India in the manufacture of paper. Why should he be deprived of that advantage until somebody is in a position to supply him with pulp made in India? Why should his cost be raised during the interval before he can use Indian pulp in place of the imported pulp?

Mr. Muir.—I would not take any objection if you had said it is a matter of six months between the imposition of duty on paper and the imposition of a duty on pulp.

President.—I would rather not mention any specific period. It is rather this, that the time would have to be fixed after enquiries as to the time that was likely to elapse before there was any surplus to sell.

Mr. Muir.—Of course, although they might possibly not have their plant fully erected within a very short period, you could be perfectly sure that they would have secured pulp which would last them for a long time.

President.—Unless you contemplate that there will be real trade in pulp in India, it does not seem to me that your argument really holds good.

Mr. Muir.—I think there will be a trade in pulp but I don't think it will be within a year or so after the imposition of the duty.

President.—That is unlikely as far as I can judge. The Couper Paper Mills might conceivably purchase from you because bamboo is too far from Lucknow.

Mr. Muir.—We were once in negotiation with the other two mills on our side of India.

President.—The evidence of the Bengal Paper Mills was that they would start making their own pulp.

Mr. Muir.—I believe the Titaghur people would do the same.

Mr. Kale.—I feel that the question of the duty on pulp is an important one and, if it is imposed simultaneously or within six months of the duty on paper, it will mean hurrying up of the mills which have not got a pulp plant, provided they do not buy from somebody else, and consequently an advantage to the country really because it will accelerate the development.

Mr. Muir.—Yes.

Mr. Kale.—I think your case stands upon two or three things. The first is the suitability of bamboo pulp for the manufacture of superior kinds of paper. You think that this proposition has been established?

Mr. Muir.—I can affirm that it has been indisputably. I am confident of that.

Mr. Kale.—Secondly, that there are unlimited supplies of bamboo in India, in certain parts of the country to-day.

Mr. Muir.—I believe so.

Mr. Kale.—But you go further and say it is possible to cultivate bamboo in this country.

Mr. Muir.—I believe there are possibilities in that direction.

Mr. Kale.—Have you got any evidence of that?

Mr. Muir.—Our experiments are in a stage when I cannot give you an answer, I am afraid. We know it can be grown near our mills, but it has to be seen as the result of tests whether it maintains its suitability, as regards structure, and whether it can be grown economically.

Mr. Kale.—So it has to be demonstrated yet that bamboo can be grown in parts of the country where it does not grow to-day and that of the required quality?

Mr. Muir.—That is so. We hope to extend our experiment very much. If protection is granted we shall be in far better position to extend our experiments in that as well as in other directions.

Mr. Kale.—It must depend upon your experiment because there are many parts of the country where bamboo does not grow to-day, and if it can be grown there, it would be very useful for factories that might be located in those parts of the country. Otherwise they will have to purchase bamboo pulp from you and transport it over a long distance. In that case it will not be economical for them to produce paper in competition with others?

Mr. Muir.—I believe there are considerable possibilities in the cultivation of bamboo.

Mr. Kale.—Would you find it very profitable to manufacture paper out of pulp and sell paper in India or manufacture paper and sell it and at the same time manufacture pulp and sell it? I ask this question for this reason. Many factories which are in existence to-day, or which may be started later on, may say "where is the guarantee that we shall get our raw material in India? We cannot manufacture that pulp ourselves and we have not got raw materials; we want to buy bamboo pulp, but what guarantee is there that we shall get the necessary raw materials in India?"

Mr. Muir.—On the other hand, there is the question of the man who has put a pulp manufactory. What is the guarantee that he will be able to sell his pulp? But these difficulties are lessened a great deal if the paper and pulp industries expand in India as a result of protection. That is a part of our trouble. It is a difficult business to put down a plant to manufacture materials for one consumer. At the same time, it is difficult for a consumer to rely for his material on one manufactory, and I think as the industry expands these difficulties will lessen and in the end disappear.

Mr. Kale.—You are to-day in the same position in which the Tata Iron and Steel Company were with reference to their claim to protection, because theirs was the only company which was producing steel, as yours is the only company which is producing bamboo pulp.

Mr. Muir.—I suppose it is the same with the Tata Company, but I think there are other companies which are in the embryo stage or are half-way developed.

Mr. Kale.—I wanted to ascertain whether there are similar possibilities in the case of manufacture of bamboo pulp.

Mr. Muir.—I think so.

Mr. Kale.—As soon as they found that your experiment was successful and a sufficient assurance was given that if they put up a pulp plant they would be able to produce pulp economically, do you think that they would take it up?

Mr. Muir.—I believe so.

Mr. Kale.—In the long run you will be able to produce pulp and paper at competitive prices; how long will it take you to be able to do it?

Mr. Muir.—In our note we said that we would like protection only to the extent to make India self-supporting. We think it necessary to be assured of protection over a period of, I should say, 10 years. Do you think that unreasonable?

President.—I am not prepared to give any answer to that.

Mr. Kale.—Do you think that after a period of five years you will be able to do without protection, as some of your disadvantages will disappear and you will be able to reduce your costs?

Mr. Muir.—We hope so.

Mr. Kale.—You know that in the case of the Tata Iron and Steel Company we have contemplated to begin with, at any rate, 3 years, when they will be able to bring down their cost to some extent.

Mr. Muir.—Of course we should have more confidence if we were given protection for a period of ten years, because it would give confidence to our prospective shareholders, and also to ourselves. I take it there is this difference between our position and that of the Tata Company that they have spent their money and we have got much of ours still to spend.

President.—Scale for scale, after all, you have had to spend a good deal of extra money on what you have already got. I have no doubt that your firm has the money, but the particular company which has established the works has not.

Mr. Muir.—If protection was granted for ten years it would give the prospective shareholders from whom we hope to get our money confidence. Tatas are complete; they do not, I believe, anticipate further capital expenditure?

President.—Nothing, except in minor respects.

Mr. Muir.—That is the difference. They won't have to raise further money to complete their plant.

President.—Three years in the case of Tatas is not parallel to what you now contemplate. We found it impossible to form any estimate how prices might change in three years' time, and in our recommendations we limited to three years not the continuance of protection but the rates of duty proposed. Professor Kale is now raising a different question, that is the period within which you think it probable, or possible, that you could do without protection altogether.

Mr. Muir.—I should say 10 years.

Mr. Kale.—Don't you think people would regard 10 years as a long period? You want to have the assurance that protection will continue for a long time; but they must have the assurance that their burden will be taken off as soon as possible. There is another objection which is likely to be raised, namely, that, if you raise the price of paper, you are arresting the development of the country because you are making education dearer.

Mr. Muir.—I understand it has already been raised. I do not think that the raising of the price of paper, to the extent to which it is proposed, would in any way arrest any development that there is likely to be.

Mr. Kale.—What do you think will be the increase in the price of paper—that the common people use for books and such other things?

Mr. Muir.—I think the increase will probably be less than the proposed duty. If there is a duty already of 15 per cent., the increase amounts to 8·7 per cent., and I think the increase in the price of paper is likely to be less than that.

President.—You think prices will not rise to the full extent of the increase in the duty?

Mr. Muir.—That is what I think.

Mr. Kale.—In view of the probable rise in price to the consumer have you any alternative proposal to make?

Mr. Muir.—Do you mean in the nature of a bounty?

Mr. Kale.—Or assistance that the Government might give in other ways?

Mr. Muir.—Apart from a bounty I do not see what encouragement Government can give.

Mr. Kale.—For instance, Government can give concession with regard to rent?

Mr. Muir.—We are paying Rs. 10,000 a year. Government might have remitted that for the first seven years, but even that exemption, or total exemption, would not have put us on a paying basis.

Mr. Kale.—You have no alternative proposal to make?

Mr. Muir.—No.

Mr. Kale.—Do you think bounties will do? As you say, yours is a new industry the development of which deserves every help from Government and the public. Do you think a bounty per ton of pulp produced by you will serve your purpose equally well?

Mr. Muir.—I would prefer duty to bounty.

Mr. Kale.—All along we have been laying stress on the proper development of the natural resources of the country. Factories which utilize bamboo for manufacturing pulp might receive encouragement in the form of a bounty over a period of years. Do you think they will be able in that case to cut down prices within a reasonable number of years?

Mr. Muir.—I believe myself that duty will be more satisfactory.

Mr. Kale.—Why? After all, your object is to be able to cover the gap. It can be covered in either way?

President.—But there is one cover that can be more readily withdrawn than the other!

Mr. Muir.—It would be a much more evident expenditure of money if you were receiving a bounty, than if you were protected by a duty. I may be wrong as I have no great experience in the matter, but it does seem to me that Government is human like everyone else, and I think one objection to a bounty is that it is likely to attract criticism and may possibly be withdrawn more readily than protection which perhaps is not so apparent.

President.—What you told us in the calculation we made was that the extra duty would raise your price from Rs. 570 to Rs. 620.

Mr. Muir.—Yes.

President.—On that basis the bounty payable on the total production of 30,000 tons would be 15 lakhs, on 40,000 tons it would be 20 lakhs and so on. It tends to go up. In these days the Finance Department of the Government of India think very hard about 20 lakhs.

Mr. Kale.—You think there is a risk of the bounty being discontinued? As regards other ways of help you do not think they will be adequate?

Mr. Muir.—No; at least I have not seen anything myself.

President.—If it were merely a proposal for raising additional capital to carry you on and get your cost down, would you consider the question of a loan from Government?

Mr. Muir.—No.

Mr. Kale.—For instance, a loan free of interest? Have you considered the matter? I do not press you to answer the question now, but if you think it is worth while considering, you might let us know.*

President.—Have you got anything to say about the representation from **Messrs. John Dickinson & Co.?**

Mr. Muir.—No. I think I had better consult Mr. Carr and discuss the matter with him as what we may have to say will be more or less on the same lines.†

* Statement VIII, para. 20.

† Statement IV.



सत्यमेव जयते

**Evidence of Sir THOMAS CATTO and Messrs. R. H. MUIR and
R. S. COURTNEY, recorded at Calcutta on Monday, the
15th December 1924.**

President.—I should like to begin by thanking the India Paper Pulp Company for the trouble they took in obtaining all the information we asked for and for the very complete and thorough manner in which all the information has been presented. It will be of great assistance to us. We are conscious that we sometimes inflict upon applicants for protection a somewhat serious burden, and we have sometimes been under the slight apprehension that we have established a panic. We noticed this year that, when it was notified that we were going to enquire into an industry, the managers of most of the works concerned left for Europe, but we trust that nevertheless the manufacturers appreciate the fact that it is due to the desire of the Board to understand the case thoroughly.

Mr. Muir.—It is very nice of you to say this. When we are asking for protection it is the least that we can do to put up as full and as complete a case as possible, but it is a great satisfaction to feel that the work that we have done has been appreciated.

President.—I think, perhaps, we might begin to-day with certain points arising out of the written evidence submitted by the India Paper Pulp Company. A few of them are connected with the original evidence, but the greater number of them are connected with the supplementary memorandum* and its appendices. The first point I wanted to ask for information about is the cost of bamboos delivered at the mill. On page 338 of the original evidence there is a statement showing the estimated cost of the bamboos delivered at the mill. The total cost per ton is Rs. 39-13-1, and there is also an addition of "overhead charges including royalty and rent—say, Rs. 44,000." What exactly are the so-called overhead charges—I should prefer to call them miscellaneous charges—and what do they amount to per ton of bamboo?

Mr. Courtney.—Rs. 44,000 is made up of—

	Rs.
Jaitpura rent	585
Chittagong staff and establishment	16,720
Travelling expenses, etc.	10,140
Miscellaneous	6,550
TOTAL	33,995
Royalty	10,000
	43,995

President.—How much did it amount to per ton of bamboo on the figures for that year?

Mr. Courtney.—The actual amount of bamboos used that year was 4,847 tons.

President.—I want to know what was the quantity of bamboos that you actually brought down to Jaitpura and despatched to the mill.

Mr. Courtney.—2,800 tons.

President.—Take the travelling expenses given under miscellaneous charges, for instance. Does that include expenditure incurred in travelling connected with supplies of bamboos from other neighbourhoods?

Mr. Courtney.—No, that is only travelling expenses of people going from Calcutta to Chittagong or Jaitpura or the reserve, and the travelling expenses of our representatives in the reserve.

President.—If we divide Rs. 44,000 by 2,800 we get approximately what they amount to per ton of bamboos?

Mr. Courtney.—Yes, it is about Rs. 16.

President.—As far as I can make out from the appendices, there is a difference between the cost at Jaitpura and the cost at Naihati of approximately Rs. 15 a ton. I take it that these miscellaneous charges would practically disappear if you had your mill at Jaitpura?

Mr. Courtney.—All except the royalty.

President.—And the travelling expenses of the people in the reserve?

Mr. Courtney.—These have been included in the estimated cost at Jaitpura in our general charges.

President.—It would go into the overhead charges or miscellaneous charges at Jaitpura.

Mr. Courtney.—The forest staff has been included in the staff at Jaitpura.

Mr. Muir.—We estimated that we would not require much forest staff if we were at Jaitpura.

President.—Did you say that the royalty was Rs. 10,000?

Mr. Courtney.—Royalty is one rupee per ton with a minimum of Rs. 10,000.

President.—As regards the cost of auxiliary raw materials you expect to be able, I understand, to bring down the cost of your auxiliary materials per ton of paper fairly substantially when you are manufacturing on a larger scale.

Mr. Courtney.—Yes.

President.—I also gather from what is said in the memorandum that during the first six months of 1924-25 your consumption of chemicals per ton of paper has been smaller than in 1923-24. Is that correct?

Mr. Courtney.—Yes.

President.—That accounts partly for the reduced cost you anticipate?

Mr. Courtney.—Yes.

President.—You also say that the removal of the duty on sulphur has lowered the cost and “in the case of rosin, bleach and alum which have been taken at slightly lower rates actually obtained by us in July of this year.” Do you buy alum and rosin in India?

Mr. Courtney.—Yes.

President.—The reason I put that is I thought that possibly the rise in the rupee sterling exchange might have lowered the price you paid for your chemicals.

Mr. Muir.—Not on those two, but on the sulphite pulp.

President.—It does not follow that the price will not be affected by the rise in the exchange. It just depends on whether they are selling in competition with the imported things? Are the prices substantially lower than those of imported articles?

Mr. Courtney.—They are about the same.

President.—You don't think that they have been affected?

Mr. Courtney.—No, not during the period in question.

President.—But bleach would be affected?

Mr. Courtney.—Yes, and also sulphur.

President.—The Titaghur Mills, as you know, started the electrolytic manufacture of bleach and they also got a good deal of caustic soda out of the same plant. I take it that it would be possible to undertake the electrolytic

manufacture of bleach without the caustic soda, or is it a necessary by-product of the process so to speak?

Mr. Courtney.—We have not, of course, any experience of it.

President.—You are not prepared to say whether it would or it would not be. Has your Company not yet gone into that question?

Mr. Courtney.—No.

President.—There is just one point I should like to put and that is this. On the information you have, do you think that for a mill having an output of approximately 5,000 tons it would be worth while to undertake the capital charges involved in the electrolytic plant?

Mr. Courtney.—Yes.

President.—Even with an output of 5,000 tons?

Mr. Courtney.—Yes, in the case of a combined paper and pulp mill.

President.—Has the question been examined in detail?

Mr. Courtney.—No.

President.—It may make a very appreciable difference to the economies. It just depends on the scale on which you are working. However, you think that it would be possible on that scale. On the other hand, if the caustic soda is a sort of inevitable by-product of the system, you don't want caustic soda.

Mr. Courtney.—Caustic soda has a good market in this country for soap manufacture.

President.—It could be sold in that case.

Mr. Courtney.—There is a big demand for it in Calcutta.

President.—Supposing you had your pulp mill at Jaitpura and you were making paper at Naihati, where would you have your electrolytic plant in that case?

Mr. Courtney.—We would still have it at the paper mill. We should not propose to make bleached pulp at Jaitpura.

President.—I want to understand that because the grass mills are not in the same position. They want caustic soda for the pulp stage. Quite conceivably they might have the electrolytic plant at the pulp mill and bleach their pulp before sending it on. That is a possibility.

Mr. Courtney.—Easy bleaching pulp is the usual form in which pulp is sold.

President.—I was not thinking of that. I was thinking of the manufacture of pulp near the raw materials and sending it down to the paper mill. On page 315 of the printed evidence, the quantity of bleaching powder required is put down as 250 tons, i.e., about 10 per cent. of the output of paper. In that year about 28 per cent. of your output was unbleached browns and *badami*. If you reduce your proportion of the unbleached browns and *badami* substantially, then I take it that the percentage of bleach required might go up to your total output?

Mr. Courtney.—Yes. We calculated that it would go up to 11 or 12 per cent. instead of 10 per cent.

Mr. Ginwala.—I have taken the figures in Form I. The auxiliary raw materials work out to 119.1 rupees per ton. In Appendix I—I am taking the 5,500 ton unit—it is 106.34. There is a difference of about Rs. 13 a ton. It seems to me that it does not show very much improvement in practice.

Mr. Courtney.—I don't think that you can get a fair comparison because Form I, as you see, includes purchased pulp. It really ought to be split up into these constituents of raw materials, auxiliary raw materials, labour, power and fuel, etc.

Mr. Ginwala.—If I take the first three items together, viz., primary raw materials, purchased pulp and auxiliary raw materials, and compare them with primary raw materials and auxiliary materials in Appendix I, then

the difference between the two is (Rs. 259·80 minus Rs. 213·48) Rs. 46·32. That includes the value of the pulp which you have used, viz., Rs. 40 or a little more.

Mr. Muir.—There is a little more.

Mr. Ginwala.—Yes, but it cannot be very much more. There is a difference between these two of Rs. 46, of which Rs. 40 is the value of the purchased pulp. It goes, as you no longer use it. The improvement is only Rs. 6 from that point of view.

Mr. Muir.—If you had not that Rs. 40, your mill labour, power and fuel, current repairs and possibly general services and miscellaneous charges would also rise a little.

Mr. Ginwala.—I think the President has worked it out.

President.—If you eliminate the purchased pulp in that way, primary raw materials would go up from Rs. 100·24 to Rs. 117·06 and auxiliary raw materials from Rs. 119·2 to Rs. 127·7.

Mr. Ginwala.—That gives a total of Rs. 244·76.

Mr. Courtney.—But the purchased pulp really cannot be taken like that. It is more expensive than our own manufactured pulp, and it also has a 10 per cent. moisture loss which our own pulp has not got. You have eliminated all this by adding the two together.

President.—It is only an approximate calculation.

Mr. Ginwala.—I am trying to assess the value of the improvements that you expect.

Mr. Courtney.—The improvements are more than the figure you have arrived at because, as I said, the cost of the purchased pulp should be split up, and it would increase the cost of auxiliary raw materials, mill labour, and power and fuel in Form I.

President.—Admittedly, and therefore some addition ought to be made both in the case of primary materials and auxiliary materials to the figures that we got from Form I, if we eliminate the purchased pulp.

Mr. Courtney.—Yes.

President.—If, as you say, the purchased pulp is more expensive than the manufactured pulp, then the additions to be made to primary materials and auxiliary materials would be less than the figures I calculated on a purely arithmetical basis, because the total expenditure you would incur in place of the expenditure on the purchased pulp would be less. That increases the force of Mr. Ginwala's point. I have worked it out on a purely arithmetical basis, and it raises the primary materials to Rs. 117·06 and auxiliary materials to Rs. 127·7, but if, as you said, the purchased pulp was more expensive then these would come down to about Rs. 115 and Rs. 125. That would bring you down to Rs. 240. What Mr. Ginwala says is this, that if in 1923-24 these two items cost you approximately Rs. 240 a ton and if, according to your anticipations, when you get a larger output, the cost will come down to Rs. 213 from Rs. 240, that is only a difference of Rs. 27, his suggestion is that it is a little disappointing.

Mr. Muir.—In comparison with such figures as we have been able to obtain from elsewhere, I think you will find that these figures show up favourably, in spite of the higher price at which we have to obtain our auxiliary raw materials.

President.—I think you yourself expressed some dissatisfaction with the figures for auxiliary materials.

Mr. Muir.—Without looking it up, I think we expressed the opinion that we might hope to be able to improve on these figures in future, but for the present I am afraid we have no ground for such an assertion.

Mr. Ginwala.—At present your contention is that bamboo is a good proposition because your primary materials are cheap, is it not?

Mr. Muir.—Yes.

Mr. Ginwala.—And therefore you are in an advantageous position as compared with the foreign manufacturer. You must maintain that advantage which you possess in primary raw materials. But on these figures, if your auxiliary raw materials do not go down substantially, you cannot maintain that advantage, that is the point.

Mr. Muir.—Even on the figures we have taken, which you suggest are a little conservative, there is still an advantage if you take the figures that we have been able to obtain as to the home mills' cost. Would it be an unfair comparison to take, say, the Jaitpura figures?

Mr. Ginwala.—You can take any figures, but I think it would be unfair to compare them with English figures.

Mr. Muir.—We want to compare with the Norwegian figures. In Appendix 2 you see our estimated cost figures are Rs. 44.05 for raw materials and Rs. 49.36 for auxiliary materials respectively per ton of pulp. That totals Rs. 93.41 and, at 1/4d., exchange the Norwegian figures come to Rs. 109.93—call it Rs. 110. That is an advantage of Rs. 17.

Mr. Ginwala.—But the slightest increase in the cost of primary raw materials in this country will deprive you of that advantage?

Mr. Muir.—Don't you think it is reasonable also to take into account the possibility of some reduction?

Mr. Ginwala.—I am not so sure, it may or may not happen. The thing is quite new and one does not know whether it would be as economical to extract 20,000 tons of bamboo from a reserve area as it would be to extract, say, 7,000 tons. It is a little difficult to say that, but assuming that is the case and the position of your raw materials does not alter and the auxiliary materials go up—I mean not owing to worse working in the mills but owing to a rise in price—then your advantage, which is already small, would be smaller.

Mr. Muir.—If there is a rise in the price of auxiliary raw materials,—the only difference that we have in the comparison with European mills is the freight and if no increase takes place in freight the European mills will have to pay the same increase as we shall have to.

Mr. Ginwala.—They use a very small proportion of auxiliary materials and the corresponding increase will be very much smaller. For instance, in the case of the Norwegian mill it costs only Rs. 8.

Mr. Muir.—It seems to us that they must have taken some of the auxiliary raw materials into the primary, and I think we suggested that the only reasonable comparison would be to take the two sets of figures in Appendices I and II and group them together for the purpose of comparison.

Mr. Ginwala.—Of course, it is for you to consider it. I am trying to point out that on these figures you are better off by Rs. 17 and compared to English figures you are much better off there. But unless you are able to bring down your auxiliary raw materials to a much lower level, it seems to me that the industry does not possess so many advantages as it appears to do at first sight. Of course, I am not committing you to any views as to the future but I am simply trying to bring out the facts from the figures as you have given them.

President.—What we are doing at this stage is to give you an opportunity of explaining things to us. The figures make certain impressions on our minds, or at any rate it occurs to us that it might convey an impression, and we thought it our duty to give you an opportunity of rebutting that.

Mr. Muir.—I would mention that at the present time it pays even the United States of America, which I suppose is one of the biggest pulp-producing countries in the world, to import pulp from Norway, I understand, rather than run its own pulp mills. The Norwegian figures are the figures which we are comparing with our own pulp manufacture, and therefore I would

like to submit that, if our figures show up favourably, it argues very great possibilities and a satisfactory position as regards raw materials for the Indian industry.

Mr. Ginwala.—If you can work up to the Norwegian figures.

Sir Thomas Catto.—Can any practical comparison be made between the cost figures of an industry in Europe at the present time and our figures without considering all kinds of exchange questions. We know that at the present moment the industry in some other European countries is on an abnormal basis owing to fluctuating exchanges and other factors affecting their cost of labour and auxiliary raw materials. If you take figures of pre-war years when the industry in Scandinavian and other European countries was working on what might be called a normal basis and rates of exchange were also normal, that would be a fairer comparison. Mr. Ginwala was referring to our extraction of bamboo from the reserve and wanting to know whether our costs compared with their costs. I say that they have got their costs down to the very absolute minimum, whereas we are still in the infancy stage, and must be for some years until we can work up to a large output.

Mr. Ginwala.—That is just my point. My point is that unless you can get out of the experimental stage and bring your costs down, this country, which is supposed to possess a natural advantage in the primary raw materials, will lose that advantage in consequence of spending more money on the auxiliary raw materials.

Sir Thomas Catto.—I venture to say that the situation to-day is such that the articles we have to compete against are on a very minimum basis.

Mr. Ginwala.—I am not going beyond this particular point.

President.—After all, take the case of manufactured chemicals. You can buy these chemicals as cheaply as your competitors in Europe—apart from freight and duty that may come on to that. If there still remains a wide difference between your cost and European cost, then, as far as I can see, the only possible explanation is that you have to use more.

Sir Thomas Catto.—Possibly, but also because they are using a process different from ours.

President.—What I was going to say was that the disadvantage may be due to the fact that you are still at the experimental stage, or it may be due to the nature of the bamboo, in which case it may be permanent.

Sir Thomas Catto.—What I meant to say is that in some processes they manufacture certain of their own chemicals, especially bleach. They do the whole thing from the beginning, whereas we don't. That makes a difference, and these industries have reached their present high development over many years.

Mr. Ginwala.—We are taking the costs as they compare at present. If we take your estimated cost, 2 years hence, it may be more. Looking ahead, if we find that your auxiliary materials do not go down substantially below your estimate, then the industry will not have this natural advantage, which it is said to possess. I am not disputing your figures, nor do I say that these figures can be taken to be as accurate as they would be if you had longer experience.

Sir Thomas Catto.—That is the whole point. I don't think it would be fair to compare our costs with the abnormal costs of a very highly developed industry in Europe at the present moment. We believe that we will be able to bring down our costs, but that will take time.

President.—You have got to bring down the cost of your raw materials.

Sir Thomas Catto.—Don't you think that in time when we get a large output such as they have, we will bring down our costs to their level?

President.—There is a very wide difference. If in fact the figures are comparable, they must be, as Mr. Muir suggested just now, if there is only a

difference in freight, but if it was suggested that there was some fundamental difference in the nature of the process.

Sir Thomas Catto.—That is one of the reasons why we suggest the difficulty of comparing these figures.

President.—We are not suggesting this comparison, you tabulated this for us.

Sir Thomas Catto.—You are trying to arrive at a figure which in the end would equal the Home cost. We believe we can eventually reach that, but I venture to say that, even supposing our cost could not entirely equal the Home cost, we believe we would still be able to expand the industry because we are producing a better article.

Mr. Ginnala.—The point is, is bamboo really comparable with the material that they use abroad?

Sir Thomas Catto.—If it is not at the present moment it is owing to the small scale on which it is being worked.

President.—It militates against the case for protection the moment you say it is not. Take your primary raw materials, there you have a distinct advantage over the foreign producer. If it is found in practice that, in order to utilize these materials you have to spend a good deal more on auxiliary raw materials, then the two taken together do not suggest that you possess any initial advantage over the foreign producer?

Sir Thomas Catto.—I am getting a little confused between auxiliary raw materials and bamboo. I do not attach the same importance as you do to the cost of auxiliary raw materials, because it will be found that real comparisons are impossible on the figures before us without exact knowledge of the processes and conditions on which the foreign figures are based. But in regard to pulp I say without any hesitation that whilst our actual cost in regard to bamboo at the present time seems high, this can be brought down, and will be brought down, below the cost of primary raw materials in foreign countries. But I repeat even if we are unable to reach that cost, we are producing an article superior to wood pulp which should eventually command a higher price.

President.—If you are contemplating that bamboo mills in India will eventually export their products that is one thing. But if the bamboo is such a superior material, is there any reason why the Indian consumer should be forced to use this more expensive material because, after all, the great bulk of the paper consumed in India is not of the superior class at all?

Sir Thomas Catto.—What I mean is that bamboo paper will compete mainly with the higher grades of paper in India and for export.

President.—You are proposing, by the imposition of protective duties, to make cheap paper more expensive. Ordinary wood-free printing paper would increase substantially in price.

Sir Thomas Catto.—Why should they increase?

President.—Owing to the protective duty.

Sir Thomas Catto.—We are not asking for assistance by raising the price of cheap papers with which our article cannot compete.

President.—But for ordinary printing the Indian consumer will have to pay more. What justification is there for that, if the bamboo is really a better material which can only be used for producing the more expensive kinds of paper?

Mr. Ginnala.—This improvement that you have shown in the auxiliary raw material as given in Form I with the modification that you suggest in regard to purchased pulp, is that due simply to the output being increased or do you expect better practice?

Mr. Courtney.—We have distinctly better practice now.

Mr. Ginnala.—But the increased output might account for a considerable amount of improvement, might it not?

President.—The point is, have you allowed for the increased output?

Mr. Muir.—We have allowed for some improvement in our output.

Mr. Ginwala.—And the rest is put down to better practice?

Mr. Muir.—You can put it as lower price, increased output and better practice. We have allowed for improvement on our practice somewhere about Rs. 12 a ton and the rest for lower price and larger output.

Mr. Ginwala.—What was the former figure?

Mr. Muir.—On our recent figures we have allowed about Rs. 13 to Rs. 14 a ton.

Mr. Ginwala.—That is to say, you have taken more or less the figures in Form I?

Mr. Muir.—That is right. There has been a fall in the price of material and we have allowed for improved practice.

Mr. Ginwala.—The point is whether you have made sufficient allowance?

Mr. Muir.—We have tried to be very careful not to make any prophesy into the future. We have not taken into consideration anything which we have not realised or got in sight.

Mr. Ginwala.—It is for you to judge, but if it increases your estimate to a degree which may make it unremunerative for the country, then the position is not as it should be.

Mr. Muir.—I would like to submit that, in view of the fact that we have not taken any undue expectations in the future into consideration, these figures are very satisfactory. Items I and II have to be taken together—in the foreign figures they are not divided in the way ours are—I don't think there is any question about that. But I think you will probably admit that items I and II, with exchange at 1/4d., are lower at Naihati in Appendix I and lower at Jaitpura in Appendix II than the corresponding Home and Scandinavian figures. I think that is a satisfactory state of affairs.

Mr. Ginwala.—That may be very satisfactory from one point of view, that you may show better results because your primary raw material is cheap, but that is quite a different point from this, namely, whether this is sufficient improvement on your practice to reduce your cost from Rs. 119 to Rs. 106. That is the point. At the present moment you must not compare your cost with the foreign cost but with your own practice, which you have now with what you expect in future. Is it a reasonable improvement? That is the point.

Mr. Muir.—Do you mean, whether we anticipate that in the future we shall have considerably better practice than we have shown here?

Mr. Ginwala.—You ought to. A good deal of this Rs. 13 must be represented by a drop in the price of chemicals and then it must also be affected by increased output, and if you make allowance for these two things your practice shows very little improvement. That is the point.

Mr. Courtney.—We have been very conservative. There will certainly be improvements in practice which we have not taken into account at all. There is, for instance, improved crushing which will directly affect the auxiliary raw materials.

President.—What you mean to say is that the Board may take this figure as representing what is already in sight, and in view of the fact that the process is still improving—it is no longer quite experimental—it is reasonable to hope that further economies in this item will be found feasible?

Mr. Muir.—That meets the case.

Mr. Ginwala.—You have no further reduction actually in sight?

Mr. Muir.—No. It is only six weeks or two months since we sent in this representation.

Mr. Ginwala.—I was not suggesting that you have found improvements in these two months. We don't know what your actual process is, but we can only judge of it by the figures.

Mr. Muir.—I think we covered almost all the questions in the notes that we appended to Appendix I.

Mr. Ginnwala.—Quite so. But the point is this. Supposing another man using the soda process comes forward and says "I use bamboo, and I only use half the quantity of auxiliary raw materials." We should go wrong in our calculations as to what you ought to get for your paper. That is why I am anxious to know, whether it has got something to do with the process or is it simply due to your being in the experimental stage?

Sir Thomas Catto.—The way in which the President expressed it conveys our meaning. We say that we can make improvements, we can make economies and the process is no longer in the experimental stage. Mr. J. L. Jardine, who may be considered as one of the greatest authorities, has been out here and he has shown us things where we can make improvements and effect economies. We are gradually improving all the time. You referred just now to the manufacture of pulp under the soda process. There is this difference between the soda process and the sulphite process that less bleach is required in the latter.

President.—I don't think Mr. Raitt would admit that as regards his process, but there is not a lot of difference in the bleach figures.

We will now go on to point 3 which is about coal and the very important point there is that your expectation that you will be able by using the best quality of coal to get your coal consumption down to 3 tons per ton of paper. Can you tell us how you arrived at the figure of 3 tons? I think you have got to make a correction in the evidence you gave last time. You gave $4\frac{1}{4}$ tons of coal for manufacturing one ton of paper from bamboo.

Mr. Muir.—I do not know how it has crept in. $4\frac{1}{4}$ tons of coal per ton of finished paper is the figure we obtained here for a short period previous to my coming up to Simla. You asked me if it was the quantity we used last year and I made a mistake in saying it was. As a matter of fact it should have been 5 tons instead of $4\frac{1}{4}$ tons.

Mr. Ginnwala.—That was your average for the whole year 1923-24.

Mr. Muir.—Yes, for the two half years it has been going down steadily. It was $5\frac{1}{4}$ tons for the first half year, it came to $4\frac{1}{4}$ tons during the second half year and it touched $4\frac{1}{4}$ tons before I came up to Simla.

President.—Has there been any improvement since then?

Mr. Muir.—No, there has been no material improvement. As a matter of fact consumption has been a little bit higher. For purposes of comparison you asked us to work out figures both for Chittagong and Naihati. When you get as far away as Chittagong, the question of second class coal which we have been using at Naihati is not a practical proposition at the present time. So we tried to convert all our coal on to a common basis to avoid confusion. There are a great many steam plants raising steam on the Hoogly round about Calcutta, similarly to the way in which we do in our paper mill, that is to say, their steam raising plant is in no sense different. I think if we take their practice we can take it as applicable to our paper mill. There is a great divergence of the sort of coal that is used. Many mills use the best Sibpur or Deshergarh coal, many use first class coal, others second class coal and while some people hold by one sort of coal, other people are equally in favour of the other sort. Therefore I have taken it that the various coals are of approximately the same rupee value for steam raising purposes in the Calcutta district.

President.—That is to say, if any mill on the Hoogly were to raise steam—take 2 mills on the Hoogly, one using steam with second class coal absolutely and the other using first class coal—there would be very little difference in the cost?

Mr. Muir.—That is the assumption I have gone on. I have taken $4\frac{1}{4}$ tons of second class coal. The cost of that coal is Rs. 9 a ton but the figures have come down slightly, i.e., Rs. 38. The cost of the best Sibpur coal is Rs. 12-8-0 landed at our mill to-day. That works out to just a shade over 3 tons.

Mr. Ginwala.—This is really converting money into tons. It is not improvement on the cost.

Mr. Muir.—I have not come to the improvement.

President.—It is important first of all to ascertain exactly what this figure of 3 tons means. Let us see. It is 9 times $4\frac{1}{4}$, i.e., 38.25 and you have got to divide that by 12.5.

Mr. Muir.—It comes to just about 3 tons. In our present plant we have got a prime-mover, for one thing, that would suffice for a considerably larger plant and there are also other directions in which we all expect economy. If, for instance, we were to double the size of our plant and increase its capacity to 5,000 or 5,500 tons, I have, therefore, taken a figure which is not unreasonable, i.e., 3 tons of best Sibpur coal for a ton of production as the basis. The coal figures have been worked out on this basis both for Chittagong and for Naihati.

President.—Working on these figures a very small allowance indeed has been made for the improvement due to the larger size of the mill, unless you take a rather higher figure than $4\frac{1}{4}$ tons.

Mr. Muir.—Although we touched $4\frac{1}{4}$ tons for a short time in practice we have been getting worse since then.

President.—Do you regard the 3 tons as being a figure that you ought certainly to be able to work, from your experience of the other industries in which your firm is interested?

Mr. Muir.—Yes.

President.—Then in 1923-24 the fact that the coal consumption was actually 5 tons on the average—that explains the cost of fuel, which came to Rs. 56-8-0. I take it that probably some coal costs rather more than the price you quoted to us in the printed evidence?

Mr. Muir.—Yes, it did in the first part of that period.

President.—To what extent has the price of coal come down since you gave that figure of Rs. 6½?

Mr. Muir.—I think our new contract is Rs. 5-8-0. That is for second class coal at the colliery. At the mill it is Rs. 9.

President.—You have not actually used first class coal at Naihati?

Mr. Muir.—It would not pay us to do that at present, because we have excessive steaming power.

President.—Unless you are pushing the plant a bit harder you would not get the value out of the first class coal.

Mr. Muir.—That is it.

Mr. Ginwala.—As I say, you have simply converted money into tons of coal. You have substituted the better class for the inferior.

Mr. Muir.—We converted money into tons and tons back into money.

Mr. Ginwala.—That does not show much saving in the cost. If that was taken as the criterion, it does not matter whether you charged 4 or 5 tons of coal if it does not affect its money value. There might be a saving in handling.

Mr. Muir.—We have taken a saving of only about 3 to 5 per cent. I admit it is a pretty conservative reduction on what we can do at present if everything goes all right.

Mr. Ginwala.—I have not been able to follow exactly how according to Form I Rs. 56.6 for power and fuel is arrived at?

Mr. Muir.—I think we mentioned somewhere or other—I don't remember in which of our statements—that that figure included a great deal of experimental work.

President.—Does it include anything except the cost of coal?

Mr. Muir.—Nothing.

President.—I understood you to say that in the first place you used 5 tons of coal on the average during the year per ton of paper.

Mr. Muir.—Yes.

President.—If you multiply Rs. 10, which you gave us, the cost comes to Rs. 50. There is still a difference of Rs. 6·6. I understood that that was explained by the Company that during early part of that year you paid more than Rs. 50 as the cost of coal.

Mr. Ginwala.—Then there is an improvement of Rs. 19 if you take the practice during that year.

Mr. Muir.—We have given you an improvement. We said for that period our consumption was 5 tons.

Mr. Ginwala.—Stick to rupees. Don't go into tons. Take Rs. 56.

Mr. Muir.—If you allow for a fall in the price of coal we go down from Rs. 56 to Rs. 42·8·0.

Mr. Ginwala.—That is a drop in price alone.

Mr. Muir.—It is a drop both in price and consumption.

Mr. Ginwala.—Rs. 42·8·0?

Mr. Muir.—Yes.

Mr. Ginwala.—I must take it that now you have reached the limit of your coal consumption—3 tons. It is almost as good as the foreign practice.

Mr. Muir.—I understand foreign manufacturer's work down to two tons.

Mr. Ginwala.—That would be unusually good. 3 tons is not considered excessive.

Mr. Muir.—That is the figure we have been given.

President.—It is a bit higher. I have not got the figures to quote. My impression is that they did get down to something under 2½ tons.

Mr. Muir.—Mr. Raitt, I understand, anticipates 3 tons of Talcher coal. At present we do not know anything about Talcher coal, but I do not think there is any question that you cannot treat it in the same class as our Sibpur or Deshergarh coal.

Mr. Ginwala.—On page 379 you gave an answer which I was not able to follow. I asked you that you might also give the quantities and you replied that the figures were 41·6 and 56·6. Then the President asked you the coal consumption per ton of paper and you replied that it appeared to work out to 3·1. What is the meaning of these figures?

Mr. Muir.—3·1 is the figure I have been giving you. That is the comparison between equivalent—if I may use the word—of “best class coal” as compared with 4½ tons second class coal.

Mr. Ginwala.—Rs. 56·6, I say, is the figure we derived from Form I.

Mr. Muir.—Yes.

Mr. Ginwala.—Then there is Rs. 41·6.

Mr. Muir.—We were discussing then what economy we could effect on a two-machine plant, and I think Rs. 41·6 was worked out on this 3·1 figure.

Mr. Ginwala.—That is the rupee equivalent of 2 tons.

Mr. Muir.—That is approximately Rs. 42·8·0.

President.—I cannot follow. The basis of the whole comparison must be first and second class coal.

Mr. Muir.—Rs. 56·6, we admitted, is a very high figure. That covered a great deal of experimental work and dear coal.

President.—It did not come into the record at that time.

Mr. Muir.—Here is the exact figure. Before I came up I had some figures worked out as to what the anticipated economy was on a two-machine mill and on the improved practice. Here is the figure Rs. 41·67.

Mr. Ginwala.—I do not know how I accepted that answer, because I was not able to follow it.

Mr. Muir.—Rs. 13·4·0 was the price of a ton of Sibpur coal, which, multiplied by 3·1, comes to Rs. 41·67.

Mr. Ginwala.—I would like to understand a bit. How do you arrange these coal contracts? Do you buy from your own collieries or from outside?

Mr. Muir.—The usual practice is that we call for competitive tenders and sometimes we contract outside for our coal, but oftener we contract with our own collieries.

Mr. Ginwala.—Do you mean to say you tender to yourself?

Mr. Muir.—The coal companies tender to other companies.

Sir Thomas Catto.—I can assure you that the India Paper Pulp Company gets the lowest possible price.

Mr. Ginwala.—It should be so.

Sir Thomas Catto.—If they can buy coal from other people at a lower price than our collieries are offering, I would allow them to buy it at once.

Mr. Ginwala.—I take it that in your case your paper mill gets coal at a cheaper rate than an outside paper mill can get it?

Mr. Muir.—It is a very close competitive rate. They have also the advantage of our coal organisation to advise as to the best quality of coal to suit their purposes.

Mr. Ginwala.—I am simply asking you that question. Obviously it may be that a smaller concern dealing with a bigger concern connected with itself gets a better rate than an outside concern.

Sir Thomas Catto.—It gets the coal at the minimum price fair to the coal company and the paper company.

President.—Coming to the question of labour, can you tell us whether there have been any reduction in the cost of labour per ton of paper during the current year since April 1924?

Mr. Courtney.—Take the comparison of the two half years. For the first half of 1923-24 it was Rs. 70·6 a ton and the first half of 1924-25 is Rs. 61·4. It has come down by Rs. 9·2.

President.—In Form I it is Rs. 66 for the whole year. If you had Rs. 70·6 for the first half year of 1923-24 and Rs. 61·4 for the first half of 1924-25, it is satisfactory to see that you are keeping the figure down. In Appendix II you have given the estimated cost of labour per ton of pulp in the Jaitpura mill as Rs. 16·8. You say "This figure was obtained by striking out from the estimated wages list of a two-machine paper mill all classes of labour which applied solely to paper manufacture and would not be required in a pulp mill." But you take again labour employed in the dry machine, storing and loading of the finished pulp.

Mr. Muir.—Yes.

President.—The reason why I ask you is that in a combined mill, labour of that kind would, of course, be concerned with the finished paper.

Mr. Courtney.—It would.

President.—And therefore in considering the question very carefully one might omit in making out an estimate of what it would cost in a pulp mill.

Mr. Muir.—In comparing the present combined mill with a special pulp mill we have taken that into consideration. On the other hand, in a pulp mill specially designed, it will be more economical to handle finished pulp than in a pulp and paper mill combined.

President.—I quite understand that you would handle your pulp rather less ceremoniously than the finished paper. It would not require so much packing and so on.

Mr. Muir.—There would be no counting and weighing of sheets.

President.—I want to make sure that you have allowed for a labour of that kind. The only point I would like to make is this. It strikes me as being on the low side. When we adjourned for lunch, we were on the question of cost of labour. The particular point I wanted to ask about was this. Comparing Form II with Form I, the cost of labour per ton of paper is Rs. 66 and of pulp Rs. 36·4; that is, approximately 54 per cent. of the total labour cost is incurred at the pulp stage. In Appendix I, which gives the cost of manufacture of paper at Jaitpura, the figure given is Rs. 42·6 per ton of paper.

If you take the same percentage you would get something like Rs. 24 as the cost incurred at the pulp stage, but in Appendix II the cost of labour per ton of pulp is given as Rs. 16-8. The point I suggest is that it is an unexpectedly low figure. The cost of labour per ton of pulp in a separate mill one would expect to be higher than the proportionate share debitable to pulp in a combined mill. It is only 40 per cent. if you compare the figure of pulp in Appendix II at Jaitpura with the cost of Jaitpura in Appendix I.

Mr. Courtney.—Yes, but the difference between 54 per cent. and 40 per cent. is primarily due to the fact that in Form II we gave you our actual pulp costs for our present mill, which is not designed for the sole production of pulp. It is a paper mill and is a small one. So it gives an abnormally high figure for labour.

President.—Up to the stage of manufacturing pulp, is there any reason why the cost of manufacturing pulp in a combined mill should be higher than that in a separate mill?

Mr. Muir.—One reason is that we anticipate getting a higher yield of pulp, viz., 6,000 tons.

President.—Why should you get 6,000 tons? There is a slight discrepancy there. It is 5,500 tons in the combined mill and 6,000 tons in a separate mill. That makes a difference of 8 per cent. but it won't cover the whole difference. I am not quite sure that I understand why, as they are hypothetical mills in both cases, you should calculate on a higher efficiency in the pulp mill in the separate one.

Mr. Muir.—Do you mean the higher output?

President.—The point is this. You have got this Rs. 42 for a 5,500 ton paper mill. One does not quite see why you should take 6,000 tons for the pulp mill.

Mr. Courtney.—If the mill were to go on producing pulp alone, it would be 6,000 tons. There is nothing to hold it up. Whereas in the combined mill, if there is any break down in the paper mill, the pulp mill would be held up.

President.—That is reasonable. All I can say is that the figure does seem to me to be low.

Mr. Muir.—We can give you at your leisure the way the figures were arrived at—I am sure it would interest you and let you form your own conclusions. They are estimates to the best of our ability.

President.—I recognise that. The kind of check I am suggesting is almost the only check one can offer.

Mr. Muir.—Quite.

President.—What it must mean is that in your present mill the proportion of labour costs incurred at the pulp stage is abnormally high. It is 54 per cent., and it comes down to 10 per cent. in this future estimate.

Mr. Muir.—We cannot say much more. We do not think that our present mill works fully economically on pulp.

President.—At any rate it has not got to wait because it does not produce enough for the paper machine.

Mr. Muir.—It is not a straightaway pulp mill.

Mr. Ginwala.—Forms II and III are only prepared for our use. What I mean is that these proportions that you have allocated under these different headings have no relation to actual conditions, and you are not keeping your cost account on this basis.

Mr. Courtney.—Our cost account is based on the production of paper. We separated it out as best as we could.

President.—If the figure in Form II is right, it makes one doubtful of the figure in Appendix II. If the latter is right, it may be that you debited to Form II too much.

Mr. Muir.—There are two points. The first is that the bulk of the labour on pulp is on time work, so that the figures would decrease largely per ton as the output increased; the second is that you have seen from our former

figures that our work in the pulp end is not efficient because we keep a complete plant going and we do not get the production we should of pulp, owing to our being at present slightly short of the power in our digesters. Our digesters are not big enough, so that the figures in Form II are probably relatively not very good.

President.—That will account for it partially at any rate. In a better balanced mill you get a slightly lower percentage debitable to pulp.

Mr. Muir.—Yes, and with a higher output the labour expenses would not go up per ton but would fall very considerably.

Mr. Ginwala.—Have you got your actual labour figures for this year for paper?

Mr. Courtney.—Yes. We have an estimate only of the monthly wages for a two-machine paper mill and a pulp mill on the basis of 6,000 tons.

Mr. Ginwala.—Have you got the actual figures?

Mr. Courtney.—We have not got the actual pulp figures of our present mill. We have our monthly estimated costs.

Mr. Ginwala.—I just wanted to see whether there was any reduction in the labour costs.

Mr. Courtney.—There has been a reduction of about Rs. 9 per ton.

President.—As regards the estimated cost of repairs and maintenance per ton of pulp, you estimate that in comparing Form II with Form I the cost of repairs and maintenance at the pulp stage is about 30 per cent., and practically it is the same if you compare Appendix I with Appendix II. The point is that one would expect that the percentage would be rather higher in the separate mill because of the additional plant that has got to be repaired, especially the drying machine. Did you take into account the extra plant that would be in the separate mill?

Mr. Courtney.—Yes.

President.—The cost of repairs and maintenance of that will be higher than the pulp share of repairs and maintenance of the power unit in a combined mill. There are items of that kind. I fully recognise that it cannot be exactly assessed.

Mr. Courtney.—No.

President.—There again it occurred to me that it was just a little on the low side.

Mr. Courtney.—We have considered all the time that the repairs in the pulp end are very much lower than they are in the paper end. It is a different kind of machinery altogether.

President.—That I frankly recognise. There again there is a possibility that you have taken it about 30 per cent. in Form II as compared with Form I. That percentage may possibly be too high—I do not know.

Mr. Courtney.—It is only an estimate. We have estimated very carefully in the case of the combined mill. That is the nearest we could get.

Mr. Ginwala.—According to Form I, repairs and maintenance are Rs. 41.36 and according to Appendix I, Rs. 27.76.

Mr. Muir.—The latter is for a mill of double the capacity.

Mr. Ginwala.—I think that you have explained somewhere that you took $1\frac{1}{2}$ times the capacity. Is that the right way of doing it? Are you going to maintain a bigger workshop?

Mr. Muir.—The output estimated would be much higher and it affects the comparison considerably. The prime-mover would be pretty well unchanged, that is to say, the main engine. We went into the figures carefully and we thought that it was a fair figure.

Mr. Ginwala.—At present I take it that you have got superfluous power for your output?

Mr. Courtney.—Yes. Our turbine is considerably in excess of what we need. Our machine shop also would certainly handle repairs for a larger plant.

President.—It seems to be much in proportion to the output.

Mr. Muir.—If you have got a turbine which is too big, you have to spend about the same repairing it, whether you have one or two machines.

Mr. Kale.—With regard to the supervision, I want to know whether your estimate provides for the training of Indians. You are aware that the representatives of the Paper industry have been telling us that practically no scheme has been put into operation at all up to this time, and it is necessary that in the near future some sort of provision should be made. So, I want to know whether your estimates contemplate any scheme of that kind.

Mr. Muir.—It has not actually been taken into consideration in our estimates. The estimates were made shortly after I visited you in Simla. We explained our position with regard to the training of Indians at that time. We explained that we hoped to train up Indians who would ultimately be able to replace certainly the bulk of our labour. We also explained that we had to make our mill before the mill could, so to speak, make our managers.

Mr. Kale.—You say that "With the adoption by Indians of the paper making trade as a profession, we hope to reduce this number." I do not expect you to reduce this number immediately. What I mean is this. You must have some scheme started immediately in order that in the near future you may be able to employ Indians. That is my point. You must include some amount in your estimates for that purpose.

Mr. Muir.—We have already made a start, but I confess that we have not made any provision for it in our estimates.

Mr. Kale.—It is necessary to include that figure.

Mr. Muir.—If we were asked for any more figures, we would include it.

Mr. Courtney.—We have made a start already. We are doing without a European chemist, which I believe every other mill has. We have three Indian chemists who are learning the trade all the time.

Mr. Kale.—I am not simply thinking of the higher grades. I am also thinking of the lower grades. You must have some scheme for both foremen and supervisors.

Mr. Muir.—We have already made a start in putting in and training apprentices. I confess that it is only on a small scale, but ours is also a small plant. As I say, we are still struggling with difficulties of making our plant satisfactory. We find it rather difficult to take up a question like this which usually follows on later.

Mr. Kale.—If you have a concrete scheme, it will be possible for you to take in men as they come?

Mr. Courtney.—We had a man who was coming in November. Now he says he will come in January. We have only two European machine men who divide the 24 hours between them. The paper machine is entirely run by Indians excepting these men. The chemists are directly under the supervision of the Manager. We have no European chemists. These men are all learning the trade. If the mill expands they could take more responsibility.

Mr. Kale.—If Indians are forthcoming, you must have some scheme under which you might be ready to admit them.

Mr. Muir.—We have started that already. We have started admitting them. We have always been willing to widen their scope. When we find ourselves with just a little more leisure we hope to be able to make arrangements, to admit apprentices, apart from the regular workers, who come purely to learn the work with a view to being promoted to the higher grades of paper manufacture.

Mr. Kale.—I do not know whether you received an application but I am given to understand that an application was sent to you by two young men who want to learn paper making. I have in mind men of that type who want to learn the trade.

Mr. Muir.—We have already made a start by taking Indians on. I do not know whether we have taken the men you refer to.

Sir Thomas Catto.—I would like to emphasise that it is our intention to do all we possibly can to have Indians in our paper mill, but I don't think that the training of Indians would essentially change these figures in our estimates because there is a fairly large margin for emergencies. I don't think that the training of some men in an industry like this would seriously change these figures. But it is our intention to do all we possibly can to employ Indians in this country.

Mr. Kale.—If that is so, so much the better. If there is no such margin it is necessary that the margin should be provided.

Sir Thomas Catto.—In this industry the number of people employed is not the largest part of the expenditure and I do not think that the training of one or two or even more would affect the figures. These figures have, as I said, a margin to provide for anything of that kind.

President.—Under miscellaneous, if you compare Form I with Form IV there is a difference. What apparently has happened is that part of what is classed as miscellaneous in Form I has been included in freight, etc., in Form IV. Can you just tell us what expenditure is covered by "etc.?"

Mr. Courtney.—It consists of the following charges:—

	Rs.
Bank charges	1,000
Rent and upkeep of the Calcutta godown	8,000
Medical attendance, travelling expenses, etc.	10,000
TOTAL	19,000

President.—A good deal of that is in the nature of selling charges.

Mr. Courtney.—The Bank charges and the rent and upkeep of the Calcutta godown are, and the rest is miscellaneous.

President.—We can take one half of it as selling charges and the other half as head office charges for want of a better item. It is not a point of great importance. It is the loose end that I want to tackle.

Mr. Courtney.—It is not a direct manufacturing cost.

Mr. Muir.—It depends on what you call selling charges.

President.—What I mean by selling charges is expenditure incurred after the paper has left the mill. My point is that once you load it in the waggon or put it on the barge, so to speak you have made it. It is finished. Practically the godown in Calcutta might not be your godown. You might have a separate firm who would be doing the sales for you. It has nothing to do with the manufacture.

Mr. Muir.—The trouble I foresee there is that we are going to get into the questions of discount, Banian's commission, Brokerage, etc. I don't like taking such things into our head office charges.

President.—I take it that you would not have a godown unless you had to have a godown—unless there is some good reason for it.

Mr. Muir.—No.

President.—I don't see there is any difficulty of the kind you apprehend.

Mr. Muir.—I am only suggesting it as a possible difficulty.

President.—My point is that you have got to incur certain expenditure in order to have the paper safely loaded in the waggon. Up to that point it is works cost. Then you have subsequent charges to incur. If you have a godown you have to pay rent and various things of that kind. I don't think that there is any practical difficulty in discriminating these things.

Unless you discriminate them you cannot bring all the mills on a common basis.

Mr. Muir.—What do you take as head office expenses?

President.—Any expenditure incurred by the head office. Three things come into our overhead, (1) head office charges, and agents' commission which is all part of the expenses of the management; (2) interest on working capital and (3) depreciation. Head office charges would come into the all-in cost. The godown rent and the freight it is rather more convenient to classify as selling charges, but it does not matter much. However, I think we have got the main fact. If these figures for the cost in the first half of the current year were below that for last year, what is the final effect on the works cost of this reduction?

Mr. Courtney.—On the actual cost of the paper?

President.—Dividing the figures in Form I by the output, you have told us what reduction in the case of labour, power and fuel and also in the case of auxiliary raw materials there has been for the first six months of the current year. Can you tell us what the total reduction is as compared with last year for the same period, taking 1st April to September. If you have not brought them with you perhaps you would be able to bring it to-morrow just to see how these reduce the total cost.

Mr. Courtney.—Yes.

President.—The next thing is "Head office charges and agency commission." The point I want to put to you there is just this, that the system generally is that the agency commission is calculated on the profits whereas in your case it is calculated on the output. Well, taking the commission as 10 per cent. on the profits—that is the figure we had quoted to us in a good many cases—the total amount that would be drawn works out to less than 2 per cent. on the output. Is there any reason why the Board should not substitute for the calculation you have given the calculation on the profit?

Sir Thomas Catto.—I have no objection to your calculating like that, but if you calculate the agency commission on the profits it is usual to raise the agency fee by at least a sufficient amount to cover out-of-pocket expenses. Our agency fee is a very small one, it is a monthly allowance, and it would have to be increased very considerably if the remuneration is based on the profits instead of on the output.

President.—To what extent would you increase the monthly allowance if the commission were calculated on profits?

Mr. Muir.—It would need to be Rs. 3,000.

President.—It seems to me high. Take the case of the Tata Iron and Steel Company. Their minimum commission is only Rs. 50,000. I think your monthly allowance is very much like a minimum commission.

Mr. Muir.—We probably pay for services that might legitimately be charged to the mill.

President.—You think about Rs. 3,000 would be a fair monthly allowance if the commission were calculated on the profits?

Mr. Muir.—Yes.

President.—This monthly allowance is intended to cover your out-of-pocket expenses. Would that include a proportion of the pay of the men employed for looking after the accounts and things like that?

Mr. Muir.—Yes, rent of room in the Head office, establishment and other miscellaneous expenditure.

Mr. Ginwala.—What is the practice in other businesses regarding this commission on output?

Mr. Muir.—I think in Calcutta on the whole it is probably the commonest form of remuneration.

Mr. Ginwala.—It makes the Agents' commission as a sort of first charge on the income?

Mr. Muir.—First charge in the same way as other services rendered to the Company are paid for.

Sir Thomas Catto.—If you treat the agency commission as a part of the profit then your argument is correct, but it is not. It is a first charge only in the same sense as salary of a manager for services rendered.

President.—Naturally a part of the commission on output is for services rendered. It includes what the Agents are really entitled to for efficient management. What *Mr. Ginwala* says is this, whereas what is paid for services rendered is a fair first charge, what is paid for efficient management ought not to be a fair first charge.

Sir Thomas Catto.—I quite agree with *Mr. Ginwala*. But supposing the Company had no Managing Agents, then it would probably have to have a Managing Director and he would have to be paid a high salary; it is the same thing.

Mr. Ginwala.—I was not thinking of this business particularly. It does seem to me that if this Agents' commission is not calculated on the profits the bulk of it, I should say, was a first charge on the revenue and not on the profits. It is like income-tax.

Sir Thomas Catto.—Yes.

Mr. Ginwala.—Even before the debenture charges have been met, this will go out of the income. It puts the Agents in a better position, for the time being anyhow, than debenture holders.

Sir Thomas Catto.—They could not maintain their organisation without that. I will show you how this works in our business. In some of our companies we charge on the profits. If a Company does not earn a profit we do not get anything. But, as a rule, in these companies we have a certain fixed amount as a monthly allowance, to cover the ordinary expenses. That is fixed charge. If a profit is earned we get a commission on the profits or on the dividends. In other companies there is no commission on profits or dividends but on sales. Different companies have different arrangements. As a matter of fact, when commission is on the profits, the Managing Agents make far more money in good times than when commission is on the sales.

Mr. Ginwala.—We are now investigating this particular industry. Would it be safe for the Board to fix the remuneration of the Agents on the output?

Sir Thomas Catto.—I think you could allow for it the other way. Speaking for our firm you would be perfectly in order in calculating on an allowance of Rs. 3,000 a month just to cover expenses and nothing more unless a profit was being earned.

Mr. Muir.—You will recall, *Mr. Ginwala*, when we discussed this before, I gave you an instance where we were not even taking our out-of-pocket expense in the case of a concern, because it was not making money.

Mr. Ginwala.—I remember that quite well.

President.—Let us go on now to 'miscellaneous'. It is very difficult to judge how far the figures of these English mills are comparable with the cost in Norway unless one knows how much imported pulp they are using.

Mr. Courtney.—We don't know. It depends on what paper they are making and the relative price of their own pulp and the imported pulp.

Mr. Muir.—Except in special cases, *e.g.*, in Norway and Canada, there are no paper mills that do not use a large proportion of imported pulp, are there?

President.—There are mills in England that make pure rag paper.

Mr. Muir.—Then they are not comparable with ours.

Mr. Ginwala.—The figures seem to show that it is cheaper to manufacture paper out of imported pulp than from manufactured pulp?

Mr. Muir.—In England undoubtedly.

President.—I have examined your figures comparing the cost of manufacture of pulp at Jaitpura and at Naihati, and it seems to me quite clear that if mills are to be established for the manufacture of pulp which will be exported or which will be sold to other paper mills in India, they must be in the vicinity of the raw materials. Is that also the view of your firm?

Mr. Muir.—Certainly for export.

President.—Supposing there was a paper mill near Bombay—which is by no means impossible—and you wanted to sell pulp to them, as far as I can judge from your figures the cheaper centre would be Jaitpura?

Mr. Muir.—Yes.

President.—And if a pulp mill were established in Burma that would be a cheaper centre for supplying pulp to mills in Rangoon or Madras?

Mr. Muir.—We do expect that.

President.—I worked out approximately from the data supplied by you the cost of manufacture of pulp at Naihati. You have seen the figures in the note I sent you. Do you take that to be a reasonable approximation?

Mr. Courtney.—Yes.

President.—On the other hand, assuming that your figures are correct, it is not clear that there is any particular advantage in manufacturing your pulp near your raw materials and then bringing it to your own paper mill. That is the deduction I drew from your figures. Supposing you had the pulp mill at Jaitpura and the paper mill at Naihati and then ship the pulp from Jaitpura to Naihati, there will be no economy. Do you think that is also in accordance with the conclusion you have formed?

Mr. Muir.—I had not studied that aspect in detail, but I have no conclusion against it.

Mr. Courtney.—There might be a place better situated than Calcutta.

President.—The freight cuts both ways. You have got to weigh at one end the freight on coal against the freight on bamboos. These are the big items, the small items do not matter.

Mr. Courtney.—There are no other items which amount to very much except magnesite.

President.—On the figures you have given one can presume that there is no particular economy in having two separate mills instead of one.

Mr. Courtney.—No.

President.—The last point is the extreme importance of the coal consumption. If mills are to be established in the vicinity of the raw materials, the coal consumption must be kept as low as possible.

Sir Thomas Catto.—Might I say that so far as the figures show you are quite correct, but in actual practice a great many other considerations have to be taken into account such as health, accessibility of supervision and a great many other factors, things which theoretical figures will not show. When we come to actual practice we find that the benefit of proper supervision, the question of health and things like that very often counterbalance some of the advantages in the figures of a theoretically worked out proposition. We have found that already. For instance, in regard to the reserve, in the short time we have been working one of our men died of cholera and another is very ill, suffering from blackwater fever. Eventualities of that kind have to be taken into consideration as against the theoretical figures.

President.—My only reply to that would be that, so far as the manufacture of pulp is concerned, the practicability of it appears to depend absolutely on their being able to manufacture in the neighbourhood of the raw material. If you have got to bring the bamboos to Calcutta I don't see any prospect of pulp being exported.

Sir Thomas Catto.—I take it you are presuming that the only kind of bamboo we can use is the bamboo that comes from the Reserve. That is not our calculation at all. We believe we shall be able to use any kind of bamboo.

We have got very good results from other kinds of bamboos. We believe that by experimenting further we shall be able to use any kind of bamboo.

President.—There was some discussion about that when we took evidence before. I think there was a good deal of evidence to demonstrate that it might be unprofitable to manufacture paper from bamboo growing in a densely populated area like Central Bengal. In a centre like Calcutta, where there is a considerable demand for bamboo for miscellaneous purposes, I think you might easily find that you would be able to get 2,000 tons of bamboo at a comparatively cheap price, but when you wanted 5,000 tons you might find the prices doubled, and it is very doubtful how far you can under these conditions expand your supply.

Sir Thomas Catto.—I quite agree, if you think that all our supplies will come from places near Calcutta, but I think we might be able to get a considerable supply from other places easier than we do from the reserve.

President.—That might be so but I am very doubtful.

Mr. Ginwala.—I am afraid you did not understand me as regards the kind of figures I wanted about the manufacture of pulp at Jaitpura and bringing it down to Naihati.

Mr. Muir.—Here are the actual questions that I took down and were approved by you. Work out these three alternatives—

- (i) With regard to pulp mill at site of extraction of raw materials,
- (ii) Pulp and paper mill at site of extraction of raw material and
- (iii) Pulp and paper mill in a central position.

(The mill in each case to have a capacity of 5,000 tons per annum.)

Mr. Ginwala.—The point that seemed important to me was the question of manufacture of pulp near the site of the raw material and bringing it up to Naihati.

Mr. Muir.—This would necessitate working out fresh figures.

Mr. Ginwala.—I think I can show you a method by which this can be worked out approximately. I think your works cost on your unbleached pulp which is given in Appendix II is Rs. 162·07. To this must be added Rs. 2·54 for putting it on board and, say, Rs. 15 for freight; that gives a total of Rs. 179·57. If you bring it to Naihati then you start on the auxiliary raw materials.

Mr. Muir.—You have got the handling and landing charges.

Mr. Ginwala.—I think Rs. 15 would include that. Then in Appendix I you give auxiliary raw materials as Rs. 106·34, and then for pulp you give Rs. 49·36, subject to adjustment. Therefore the auxiliary material on paper is the difference between these two figures—106·34 and 49·36—or Rs. 56·98.

Mr. Muir.—Yes, approximately.

Mr. Ginwala.—Then the cost above material in Appendix I is Rs. 126·99 and in Appendix II Rs. 68·66, a difference of Rs. 58·33, that is what you have already spent on the pulp. Total of these three—pulp landed at Naihati, auxiliary raw material and the cost above material—is Rs. 294·88. The works cost on paper is Rs. 340·47: from this deduct Rs. 294·88 and you get Rs. 45·59.

Mr. Muir.—Yes.

Mr. Ginwala.—Then you have got two important adjustments to make. The first is the extra cost of auxiliary raw material. The difference comes to about Rs. 4 only on these figures per ton. At Naihati they come to Rs. 106 and at Jaitpura Rs. 113 for the whole thing. Supposing we bring it to Jaitpura it comes to Rs. 4, and then your coal would have cost more. Freight on coal is Rs. 15 and a further adjustment has to be made of Rs. 4 plus Rs. 15. It leaves a difference of Rs. 28·59 in favour of Naihati manufacturing from pulp to paper. That difference may be taken away by the extra plant.

President.—If you are merely making pulp you stop there. We have got an estimate of the cost of making paper at Naihati out of pulp manufactured at Jaitpura.

Mr. Muir.—Your comparison is a bit dangerous.

Mr. Ginwala.—It is not at all dangerous, because we don't proceed any further. The maximum difference we have got now is Rs. 26.59. That has to be adjusted further. Therefore, there is not very much in it. What has to be established is not that it can be done, but that it cannot be done.

Mr. Muir.—There is a disadvantage in favour of manufacturing at Naihati from pulp manufactured at Jaitpura. But you say that the difference is not sufficiently large to make it an outstanding proposition.

President.—It is more than that. There may be an advantage in the works cost.

Mr. Muir.—I was going to point that out.

Mr. Ginwala.—Assuming that both sets are correct, this margin of Rs. 26 on these figures will be rubbed out, so to speak.

Mr. Courtney.—No allowance can be made at Naihati.

Mr. Muir.—On the other hand, your deduction of the auxiliary raw materials is the other way round. You place auxiliary raw materials costing Rs. 49 or Rs. 50 at Jaitpura as at Naihati. That would cost decidedly less.

Mr. Ginwala.—I am allowing you Rs. 4 plus Rs. 15 for coal. It is just to get some idea as to what might take place, because Mr. Raitt in his pamphlet also recommends that it would be cheaper to manufacture pulp at Cuttack and take it down to Ranigunge.

President.—Then there is this to be said, because there they have got coal near it.

Mr. Ginwala.—Something is said about the Burma proposition.

Mr. Muir.—Do you ask us to go into it?

Mr. Ginwala.—No, I don't think it is worth while spending more time on it.

(Continued on December 16th.)

President.—I think we had better come right to the main question to-day. The best way to begin is this. It is quite clear from the evidence that the manufacture of paper from grass and the manufacture of paper from bamboos are two separate propositions. That is to say, they can be considered together, but also each of them can be considered on its own merits. I take it that the position of the India Paper Pulp Company is that you ask for protection for the manufacture of paper from bamboos irrespective of the view that the Board might take as regards the manufacture of paper from grass. That is to say, it is an independent proposition standing on its own legs.

Mr. Muir.—Yes.

President.—I should like just to get it down briefly what exactly your position is as regards the claim to protection. In the first place I understand that you claim that the industry possesses natural advantages. I don't want to cover the whole ground again, but just briefly to record it at this stage. Do you consider that it has been demonstrated that out of bamboos, paper of good quality can be manufactured, and that eventually it will be a relatively cheap material for making paper? Is that right?

Mr. Muir.—Yes.

President.—There are in India abundant supplies of bamboos?

Mr. Muir.—Yes.

President.—Then taking the second point of the Fiscal Commission, unless protection is given now the industry will not develop and may recede?

Mr. Muir.—Yes.

President.—The next point is that your Company had to incur very heavy expenditure in doing experimental work on a commercial scale.

Mr. Muir.—Yes.

President.—You are of opinion that unless protection is given in some form, capital will not be forthcoming to enable the scale of operations to be increased?

Mr. Muir.—Yes.

President.—Then coming on to the third point, which is that eventually the industry can hold its own without protection, you claim that I think?

Mr. Muir.—Yes.

President.—How far do you base that claim on the figures in Appendix I in the supplementary memorandum?

Mr. Muir.—I think you can call that the illustration of our claim as far ahead as we can actually see.

President.—We have, of course, received the letter* you handed in yesterday and that might lead to certain qualifications of what I am going to say. Putting that aside for the moment what it comes to is this. The figures in Appendix I suggest that if you get Rs. 500 a ton on those cost figures you would certainly be able to carry on.

Mr. Courtney.—We have got to have the mill first.

President.—The point I am on is whether eventually you can hold your own without protection.

Mr. Muir.—Emphatically.

President.—I will come to that presently. Rs. 500 a ton is just a little over As. 3-6 pies per lb.

Mr. Muir.—Yes.

President.—If you can sell at a profit at that price, you will not be far off being able to dispense with protection. I understand that you think you can see your way to get down to that figure, once you get a two-machine mill. What I mean is this. The cost figures you have given in Appendix I do not, I understand, represent all that you hope for in the way of reduced costs.

Mr. Muir.—At the same time we mentioned in this letter that you have alluded to that these figures are theoretical and they make no allowance for contingencies.

President.—Still one has got to take it on the basis. It is very important that we should get clear as to what you eventually hope to be able to do. There are always contingencies in all industries. The point I would like to put to you is this. At present the c. i. f. price of the cheapest white printing which is coming in is just about 3 annas a lb. or £28 a ton, taking exchange at 1s. 4d.

Mr. Muir.—Yes.

President.—Now the exchange is 1s. 6d. What is your view about the present level of prices? Do you regard them as normal or do you think that when trade improves they are likely to rise to some extent?

Mr. Muir.—I think they are rather below normal.

President.—I just want to know what your view is.

Mr. Courtney.—I think they are likely to stay down for a year or two.

President.—We are not looking ahead for a year, but 5 years. The point is rather this. If As. 3-6 pies per lb. gives you a reasonable return on the capital invested, and if the competing paper is not likely to come into the country below 3 annas when trade is good, you are not so far off from being able to dispense with protection when you get these cost figures.

Mr. Muir.—When we achieve these cost figures, and when we get a return to 1s. 4d. exchange, no.

President.—I do not know you can calculate in that way. I do not know whether anybody could make forecasts of what is eventually going to be the exchange position.

Mr. Muir.—Your supposition is based on that.

President.—Yes. I admit that to some extent. Let us put it this way. At the time of good trade the price of the competing paper will be about 3½ annas. If the sterling c.i.f. price goes up to £31 or £32 a ton, that fully compensates the fall in exchange.

Mr. Muir.—Yes.

President.—Presuming you have taken the lower figures at Naihati, the average is 3 annas 8 pies, and you have taken that as the average price. I do not think you appreciate the line I am going on. The point is this. What evidence have you given us that eventually you can dispense with protection? That is one of the things that has got to be established.

Mr. Muir.—I do not think we have given you any evidence beyond what is contained in the answers to the supplementary questions.

President.—What I am endeavouring to do just now is to have a view of that evidence which entitles me to come to the conclusion that eventually the industry can stand without protection. But if your view is that actually, after your costs have come down, you will require something substantial above Rs. 500 a ton, then it seems to me that you have destroyed your own case.

Mr. Muir.—We base the claim as regards these figures that the industry will be able to stand on its own legs on the f.o.b. costs, which, according to such figures as are available to us (I refer both to pulp and paper), show that these costs compare favourably or reasonably with European manufacture.

President.—Where you have to make a comparison is between the price of imported paper and the cost of your paper. Because your price would essentially depend on your costs if you are eventually able to stand alone.

Mr. Muir.—Our present cost includes, as we have seen, the exceedingly heavy overheads due to the high cost of our plant, due to the big increase of post-war materials as compared with pre-war and to other causes.

President.—But eventually sooner or later the competing mills in foreign countries will have to replace their old plant with plant purchased at the present level of prices.

Mr. Muir.—As far as we know, they have during past years of prosperity been able to lay aside large resources which will enable them to do that.

President.—I want to know definitely what your view is on that question. Is it your contention that the manufacture of paper from bamboos in India will eventually be able to dispense with protection altogether?

Mr. Muir.—Yes.

President.—Ten or 15 years ahead if you like.

Mr. Muir.—If it is given protection to enable it to get on to a level basis with foreign mills as regards finances.

President.—What you mean is that profits made during the period of protection will have to be high enough to enable the mills to write down their capital heavily?

Mr. Muir.—Yes.

President.—If they are unable to do that, you are doubtful whether the industry can ever stand alone.

Mr. Muir.—No. I would not say that. I am speaking of common markets. Are you speaking of the Indian market or of the export business?

President.—There can be no question of the export of paper from India until you are making good profits in India without any protection at all, unless you claim that you can from bamboo make some of these higher qualities of paper which are not much required in India and for which better markets could be got outside India.

Mr. Muir.—You don't want me to answer that question?

President.—I only said that in order to dispose of your suggestion that there might conceivably be an export of paper. As far as I can see at present that is not a factor which we can possibly take into account at this stage. It is simply a question of what you can do in India.

Mr. Courtney.—In addition to what Mr. Muir has said, if we are unable to write down our capital at first, we shall be able to do it in time by the increase in the cost of wood pulp which will send up the price of paper.

President.—Tell us about that. What I am trying to do is to get clearly before my mind what exactly your contention is about that. Do you think that the gradual increase in the cost of paper made from wood will tend to put the prices of paper made from bamboos more and more on a level?

Mr. Muir.—Yes.

President.—If there were no such increase on the price of paper made from wood, it is doubtful whether the industry in India, owing to high capitalisation, would be able to dispense with protection.

Mr. Muir.—Eventually.

President.—Let us say 10 or 15 years ahead and not 100 or 200 years.

Mr. Muir.—Provided the industry is given support to carry it over the next 10—15 years it would appear that it will then be in a position to compete with the imported paper.

President.—Let us try to come to some sort of understanding as to what exactly your view is. After all, the whole claim has been put before us on the basis that if you are going to make paper in India you have got to compete with the cheapest chemical wood paper, because it is that paper which is coming in at As. 3-6 pies a lb.

Mr. Muir.—Yes.

President.—According to the figures in Appendix I you think you can reasonably rely on getting down not quite to that, but somewhere near it. There are two things that may help you. One is a permanent increase in the price of paper made from wood. On the other hand you might effect a further reduction in the cost of manufacture in India below the point shown in Appendix I.

Mr. Ginwala.—Or exchange again dropping to 1s. 4d.

President.—There is this to be said. If it permanently settles at 1s. 6d. it would almost certainly be accompanied by some tendency in wages to fall slowly to get to that level. The whole cost of living would adjust itself to a 1s. 6d. level, so that if the exchange was steady for 10 years, it is quite possible you would then be no worse off than if it were settled at 1s. 4d. The exchange is very important as regards the protection required at the moment. As regards the protection which may eventually be required I rather think it can be left out of account. Can you tell me briefly what your view is? We have already got it that, provided your profits are sufficient during the period of protection to write down the capital heavily, you think after 15 years the industry can stand alone.

Mr. Muir.—We affirm that definitely. Then there is another point to which you alluded. It seems probable that, if the present level of costs of new machinery are maintained, the tendency will be for the overhead costs of paper mills and pulp mills at Home to rise. We are competing, I believe I am correct in saying, almost entirely with pre-war concerns not only erected at the pre-war level of prices, which is very much below the present level, but which also had the advantage of a period of prosperity which enabled them to write down their blocks often to a negligible figure.

President.—It is rather important that we should know just what your view is, e.g., do you definitely think that the Board would be justified in anticipating a permanent rise in the price of paper made from wood during the next 15 years?

Mr. Muir.—Yes. All the opinion we have is to that effect. That was one of the reasons which induced some of the promoters of this mill, who are very experienced in the paper trade, to embark on this proposition.

President.—I think I understand now what your general position is in the matter.

Mr. Kale.—Do you still adhere to the view that there is not only sufficient bamboos available for your own mill, but there are very large quantities which would suffice even if the industry were to expand beyond what you can anticipate at present?

Mr. Muir.—We have not studied other fields beyond our own closely, but our information is to that effect. I think you asked me that point at Simla and nothing has occurred since to change our views.

Mr. Kale.—Do you still hold that bamboo which can be grown very near the area of production can be economically used for the manufacture of paper? That was the view you expressed.

Mr. Muir.—Our experiments have not proceeded very much farther since I appeared before you in Simla.

Mr. Kale.—So you cannot definitely say anything?

Mr. Muir.—No.

Mr. Kale.—Have you any definite views with regard to the prospect of the export of pulp, or are you contemplating only manufacture of pulp for your own use?

Mr. Muir.—We think that Appendix II shows that there is a future for the export of pulp. I think it is probable that the paper industry must be established first, as we are endeavouring to establish it, before the establishment of pulp mills for the export of pulp alone can come about.

Mr. Kale.—Manufacture of pulp for export cannot precede, but will follow.

Mr. Muir.—I think that would be my view.

President.—There is another point mentioned in my note which you will have noticed. It is quite clear that the main reason why the costs in Appendix I are a good deal lower than the costs of your present mill, is the comparatively small scale of operation on which you are working. Are there any other reasons why the costs in your present mill must be regarded as abnormally high?

Mr. Muir.—Are you referring to to-day's costs given or the costs that we gave you in Form I?

President.—I am not on the figures at the moment. I am on the question of the reasons. What other reasons, besides the low output, are responsible for the costs being high at present as compared with the costs in Appendix I?

Mr. Muir.—That is the main reason: we have anticipated certain other economies, but that is by far the large bulk of the difference.

President.—You have anticipated certain economies, but are they economies which can be made in your present mill?

Mr. Muir.—No. The only economy that could be made in our present mill is to bring the digesting capacity up to the capacity of the paper machine.

President.—It comes to this. It is the small scale of operation that is almost entirely responsible for the cost being high at present.

Mr. Muir.—Yes.

President.—Then the point the Company have to meet is how far is it a valid reason for giving protection to an industry which is being carried on on a scale which is too small for economic production.

[The answer to this question was postponed.]

President.—Are you prepared to deal with the question what exactly the amount of protection that you claim means? I think that we can take the note that you handed in yesterday in the same connection. If this note that you handed in yesterday is intended as a reply to certain paragraphs in the note I sent to you, I don't think that you have quite appreciated my point.

Mr. Muir.—It was just an endeavour to join together all the various notes and replies that we have given you. We are quite prepared to answer the questions you have indicated to us orally, apart from this note.

President.—Assuming that the duty that you have asked for is imposed, what price do you think it will give you selling in Calcutta? Let us take the ordinary white printing as a typical case.

Mr. Courtney.—Rs. 565 a ton.

President.—That is a little over four annas per lb. in Calcutta.

Mr. Courtney.—Yes.

President.—What will that amount to f. o. r. works?

Mr. Courtney.—We have to deduct Rs. 2-8-0 a ton for railway freight, Rs. 5-8-0 for delivery to customer and Rs. 15 for the Banian's commission and brokerage. It comes to Rs. 23 a ton less.

President.—It is about Rs. 542 a ton. Can you tell us at what price you are actually selling white printing to-day?

Mr. Courtney.—Three annas 10½ pies per lb.

President.—We were told by the dealers that it was the custom of the local mills to declare from time to time what their prices were.

Mr. Courtney.—We are not in combination with the other mills.

President.—You recognise that your price level is 3 annas 10½ pies.

Mr. Courtney.—That is net to us.

President.—How would you announce it to the dealer? Would you say gross less discount?

Mr. Courtney.—Yes. We give a discount of 6½ per cent. We also have to pay Banian's commission.

President.—Let us get it in annas. You say that your price is 3 annas 10½ pies, that is what reaches you at the mill?

Mr. Courtney.—Yes, after all payments have been made.

President.—When you inform the dealers of the terms on which you are prepared to sell you must have it in some definite form.

Mr. Courtney.—Quite.

President.—What is the corresponding price you announce to the dealers?

Mr. Courtney.—As an example 4 annas 3 pies less 6½ per cent. discount is approximately 3 annas 11½ pies.

President.—If out of what you receive, viz., 4 annas, you have got to pay freight to Calcutta, brokerage, Bank charges, etc., these also have to be added to the net price in order to arrive at the gross price. You must quote a sufficiently high price to cover all these charges. What is the price you quote to the dealers just now?

Mr. Courtney.—Prices are still dropping. I can find out the latest figure for you.

President.—It is certainly very desirable. I hoped that you would be able to tell me to-day the prices you have been quoting throughout the year, so that one could follow the effect that had been gradually produced by the rise in the exchange. That is an important point. As far as I can judge, during the last year there has been very little change in the sterling price of imported paper. There may have been some small ups and downs, but on the other hand there has been a steady rise in the exchange this year. I want to see whether that has produced any effect on your selling price.

Mr. Courtney.—For what kinds of paper do you want these figures?

President.—I think that it will suffice if we had it for white printing and cream-laid.

Mr. Courtney.—Yes. I will get them for you.

President.—If you are actually getting 3 annas 10½ pies net at present, you are actually getting the price that you want to get after protection is granted.

Mr. Muir.—We are getting slightly less.

President.—It is almost exactly 3 annas 10½ pies.

Mr. Muir.—We anticipate that the price will go down a little further. I don't think that the full effect of the increase in exchange has been felt yet. The latest c.i.f. price that we have given you in my letter is considerably below that.

President.—The latest price you have given is the tender recently received by Mr. Ascoli.

Mr. Muir.—We have given prices for both white printing and writing on that basis.

President.—It seems to me reasonable to suppose that the full effect of the rise in exchange has not yet appeared in the Calcutta market prices. That I can understand, because the paper that is now being sold in the country is paper purchased at a lower rate of exchange. But what is your view as to the c.i.f. price at which wood-free printing had been entering India during the last three months?

Mr. Muir.—We have not been able to get any information about that.

President.—If you cannot give us a figure, let us take a figure which is slightly higher than the price. Instead of taking £28, let us take £29 which was the price tendered to Mr. Ascoli last year. Let us assume the exchange also at 1s. 5d. The point is this. With imported paper entering the country at £29 and with exchange at 1s. 5d. you can obtain 3 annas 10½ pies per lb. for your printing paper. Is not that the kind of way in which we must determine the amount of protection needed?

Mr. Muir.—I should have said that the fairer way was to take the c.i.f. price at which paper was being landed in the country, and take the landing charges and then compare it with the price which we hope to get.

President.—Surely the best evidence is the price you actually get in competition with foreign paper.

Mr. Muir.—Yes, but I think it is very much harder to establish. There are so many variations. For instance you might sell a man a large quantity of paper at 3 annas 8 pies per lb. and another a ream or two at 7 annas per lb.

President.—What we are interested in is the price which you are actually realising for the last three or four months.

Mr. Courtney.—Three annas 10½ pies is the average price of recent sales but it is probably lower now for white printing.

President.—You say in your letter of 15th December 1924 "To arrive at a fair selling price in Calcutta, however, we have to add Banian's commission and brokerage amounting to 3 per cent." How does the necessity for these charges arise?

Mr. Muir.—That is the commission that is given to the Banian for guaranteeing the payment and to the Broker for effecting the sale.

President.—Why is it necessary to employ a third party when you are dealing with a well-known Indian dealer? What is the necessity for a third man guaranteeing the payment?

Mr. Muir.—Probably it would not be necessary if our dealings were confined to the largest Indian dealers, but it is necessary in the case of smaller dealers and that remuneration is considered a fair figure.

President.—It strikes me as a curious system. It is rather a survival of the times that are gone. One does not see why the mills should require the intervention of a third party before they can sell to the dealer. When you sell to a European firm are there any similar charges?

Mr. Muir.—Not if we get into direct touch with the firm.

President.—Can you not apply the same system to the large Indian dealers whom you know?

Mr. Muir.—We would still have to pay brokerage.

President.—It seems to me a very curious system. What exactly is the brokerage?

Mr. Muir.—We pay the brokerage and Banian's commission together.

President.—Are they the same man, the Broker and the Banian?

Mr. Muir.—The Broker is employed by the Banian in our case.

Mr. Ginwala.—Is not the Banian a Broker? It is a very old word we are using.

Mr. Muir.—It is common on this side of India.

Mr. Ginwala.—What does he do?

Mr. Muir.—He guarantees the money.

Mr. Ginwala.—Is he a guaranteed Broker?

Mr. Muir.—Yes.

Mr. Ginwala.—He employs a sort of runner up?

Mr. Muir.—The Banian is a man of means and position.

Mr. Ginwala.—He gives the runner up about 12 annas.

Mr. Muir.—Whatever proportion he may get.

Mr. Ginwala.—That comes out of the 3 per cent.?

Mr. Muir.—Yes. It is very usual here.

Mr. Ginwala.—Is it common to other businesses in Calcutta?

Mr. Muir.—There is very little jute goods that does not pass through the Broker's hands when sold.

Mr. Ginwala.—In buying jute do you have to employ him?

Mr. Muir.—Practically always. Some bigger firms do what we call their own broking.

Mr. Ginwala.—But when they do not do it, what is the practice?

Mr. Muir.—The practice is to employ a broker.

Mr. Ginwala.—What commission does he get?

Mr. Muir.—In the case of gunnies the brokerage is $\frac{3}{4}$ per cent. In the case of jute the brokerage is 1 per cent., of which a proportion usually goes to an under-broker.

President.—I confess I find it difficult to understand the necessity for these charges. I quite understand that once a system like that comes into existence it is rather difficult to shake free of it. As to whether it is really necessary at the present day I confess I have doubts.

Mr. Muir.—We are new in this trade and a small concern. Therefore we are not in a position to go against the practice of the trade.

Mr. Kale.—Why don't you deal directly with the wholesale dealers? They have been complaining in their evidence that the mills are approaching the consumers direct instead of through them. There are at least 50 of them in Calcutta, and some of them do business on a large scale.

Mr. Muir.—In that case the three per cent. would become the large dealers' profit. Is not that so?

Mr. Kale.—Will it not be better if you have direct dealings with the wholesale paper merchants instead of having to deal with two different sets of people or the consumers direct?

Mr. Muir.—The large wholesale dealers are a very fine type of men and we value their support very largely. But if we were to confine our dealings to a certain number of them I don't think that the ultimate result would probably be as good to us. We should be putting ourselves in their hands.

Mr. Ginwala.—This point requires some explanation. It was suggested that the retail purchaser might get as good a price as the wholesale dealer and in some cases the retail purchaser even got a better price.

Mr. Muir.—That is not correct. The large dealer gets the better price. It stands to reason. For instance, in Calcutta if we sell to a small man we deliver from our godown and therefore we have to make some allowance for the extra charges incurred. If we sell to a bigger dealer we deliver at his godown direct from the mill. The larger dealer always gets the advantage as he buys in large quantities.

Mr. Ginwala.—He ought to, but it is suggested that he does not.

Mr. Muir.—I don't think that is correct—at least not in our case.

Mr. Ginwala.—One or two instances also were given.

President.—I think that, although it was put in a general form, the complaint was more against the grass mills.

Mr. Muir.—I think that it stands to reason. It is ordinary common sense. First of all a larger dealer is a more valuable client and secondly it is much simpler to dispose of a large quantity in one fell swoop so that one would naturally make a concession to do so.

President.—In paragraph 4 of your letter* of 15th December you say "A prospective investor would expect costs and figures showing possibilities of a return of, say, 20 per cent. before he would have a reasonable expectation in his own mind of receiving a dividend of 10 per cent. after setting aside proper reserves, etc." In view of that and in view of contingencies like strikes and so on you suggest that a further sum of Rs. 25 ought to be added to your anticipated return, but that would only be about 5 per cent. on the capital.

Mr. Muir.—Yes, it is about 5 per cent. on the capital.

President.—That is a point I wanted to clear up. When I first read your note, without verifying the figures I thought that this was intended to represent more than 10 per cent, but I see that it is not so. If you press that argument too much we cannot protect any industry in India. On the basis of 20 per cent. very few of them can show that they can stand on their own legs.

In paragraph 6 you estimate that your outturn of 5,250 tons will be made up of 20 per cent. writings, 60 per cent. printings and 20 per cent. *badamis*, browns, etc.

Mr. Ginwala.—You have introduced another figure this time. Why don't you stick to one?

Mr. Muir.—We worked out the two mills together. We took the mean between the two figures that we sent you in Appendix I.

President.—As regards this 20 per cent.—*badamis*, browns, etc.,—does it mean that you cannot help making this or you are deliberately making a certain percentage of *badami*?

Mr. Muir.—We hope eventually to get below that figure. As you said it is possible that our costs might go up a little, but at present from the figures we gave you we are making 29 per cent. We do not know whether it will be possible to avoid making them altogether. But we will reduce the figure to 20 per cent.

Mr. Ginwala.—It has been suggested—of course not with reference to your manufacture—that really speaking there is very little printing paper manufactured by the Indian mills. It is chiefly writing paper which they sell as printing paper. I am putting the case to you as it has been put to us, by some.

Mr. Muir.—Does not the publication of Government Reports on our printing paper answer that question?

Mr. Ginwala.—So far as you are concerned perhaps it does. But the point that arises is, is there in substance much difference between the Indian printing paper and the Indian writing paper. What is it that constitutes the difference in your manufacture?

President.—We had it in evidence, with reference to the grass paper especially, that practically there is no difference at all between the writing paper and the printing paper, and that the printing paper could be used for writing, is used for writing and is specially purchased for writing. Take your own paper. What constitutes the difference between your printing paper and your writing paper?

Mr. Muir.—The printing paper is more absorbent and has not got such a high finish as the writing.

Mr. Ginwala.—At what stage in the manufacture do you differentiate?

Mr. Courtney.—The actual materials that go into it are exactly the same.

Mr. Ginwala.—Take the manufacture. What is the difference between printing and writing paper?

Mr. Courtney.—The only difference is in the absorbency and finish.

Mr. Ginwala.—Would there be any difficulty in changing from printing to writing in manufacture?

Mr. Courtney.—Not before beating.

Mr. Ginwala.—The main difference is that the printing paper is more absorbent and it has not got such a hard finish as the writing paper. Is that so?

Mr. Courtney.—Yes, the writing paper is of a harder finish.

Mr. Ginwala.—And therefore, so far as your paper is concerned, printing paper cannot be used for writing?

Mr. Courtney.—Not so well. You can write on it, but it has not got such a hard finish.

Mr. Ginwala.—Can your writing paper be used for printing?

Mr. Courtney.—I don't think cream-laid are generally used for printing, but they are so used for special purposes such as school books.

President.—The distinction then is, really speaking, more or less artificial, but it does exist?

Mr. Courtney.—There is a distinction but standards vary. In fact we make paper according to sample. Suppose Government comes to us and says 'we want paper up to such and such a sample', we make and supply according to it.

President.—Take your cream-laid and white printing. Is the sole difference at the end?

Mr. Courtney.—There may be a difference in loading and sizing.

President.—Would there be merely a difference in loading, or would there be a more expensive method of manufacture?

Mr. Courtney.—Cream-laid is slower to make.

President.—You mean you have to run the machine slower?

Mr. Courtney.—Yes, because it is a water-marked paper.

President.—And therefore you have got a reason for charging a higher price for this paper?

Mr. Courtney.—Yes.

President.—In paragraph 7 of your last note you say "We are also competing with the importer in other ports, such as Madras, Bombay and Rangoon, in which cases we incur additional freight which the importer escapes. Do you contemplate that, even if protection is given, mills will not be established in Burma or Madras?"

Mr. Muir.—We were dealing with the present circumstances.

President.—You are not faced with any particular difficulty now, but the moment protection is given, it seems to me quite possible that mills will be started, at least quite certainly in Burma.

Mr. Muir.—You will see that we have not made any specific allowance for that. For the near future we would expect to deliver a fair proportion of our paper over there, and if you consider it legitimate for us to make that allowance, we can allow for about one-third of our production to be so shipped at a cost of Rs. 7 a ton overhead.

President.—The question really is whether it is your legitimate market, so to speak.

Mr. Muir.—It is at present.

President.—I don't think so. What does the Fiscal Commission say about it,—that there could be no idea of protecting the industry so that an industry in one centre of India will command the whole of the Indian market?

Mr. Muir.—We do not often go as far as Karachi, but Madras and Rangoon at any rate are our legitimate markets from a geographical point of view, provided they have not got their own mills on the site.

President.—The whole point in the scheme for discriminating protection is that the cost to the country will be as low as possible. The idea underlying the views of the Commission is that eventually each of the Provinces, certainly in a case like paper, will have set up a mill in the province.

Then in paragraph 8 you give the prices which you suggest should be taken as prices at which, approximately, imported paper is entering India to-day. You give the prices as £29 for writings and £28 for printings, and you say that those are based on tenders received by the Controller of Printing. The point I would like to put to you is this. Is it not the case that the price given in the tender for a large Government order is likely to be right down to bed-rock, and therefore below the price at which paper of that kind usually enters India?

Mr. Muir.—I don't think it is likely to be much below the price at which orders will come in.

President.—There is just this to be said. It was suggested that the price you get from the Controller was 5 per cent. above the market price. What was this 5 per cent. you got?

Mr. Muir.—This particular order was a rather small one for 1,000 tons.

President.—But further contracts are impending. The European manufacturer would keep his tender low in the hope of benefits to come. But consider this point. You get an extra 5 per cent. from the Controller, that is to say, in comparing prices he adds 5 per cent. to the import price in order to make a comparison, and to enable him to decide which tender to accept, and you regard that as a reasonable system?

Mr. Muir.—Yes.

President.—Must not the Board also add that 5 per cent.?

Mr. Muir.—We have taken the basis of large deliveries. In the Controller's case we make deliveries in small quantities. We have taken as a comparison the c. i. f. price for large quantities. When we deliver to the Controller, we deliver in small lots.

President.—There is this to be taken into account. A great deal of the imported paper that is sold in India is sold under conditions which mean that the importer has got to incur extra charges, and that 5 per cent. allowed by the Controller seems to me a perfectly reasonable figure. I think that something more than the small sum of Rs. 6 that you suggest in the next paragraph should be added to the c.i.f. price to cover landing charges, etc.

Mr. Muir.—I think there should be perhaps.

President.—What is the cartage? I should have thought that the cartage would have been a bit higher, about Rs. 2-8 a ton.

Mr. Muir.—We cart our goods from Naihati to godown for Rs. 2-8, and therefore it should be less if taken from the jetties to godown.

Mr. Ginwala.—Would you send the paper down by boat from Naihati?

Mr. Muir.—No, it would be delivered by lorry to the godown.

President.—I would like to point out that although you admit that Rs. 6 ought to be added you have not added that at all in paragraph 10. It of course is a very small point. The main comment I have to make on this paper as a whole is that you are apparently endeavouring to show that you will always require protection and will never be able to dispense with it. When you get your costs down to the figures in Appendix I, you say that you will require protection on white printing to the extent of Rs. 190 per ton, when the exchange is at 1s. 6d.

Mr. Muir.—But then we hope that after we have had that protection for a few years we should be able to reduce our overhead charges to an extent which would enable us to go on without protection.

President.—Even if you eliminate the overhead charges, there is still a good deal of protection needed. Supposing you can set aside in this year a sufficient sum to pay dividend on your capital, that only takes about Rs. 70, you will still require Rs. 120. Taking a 5,500 ton basis, you can hardly expect within the period of protection to do more than pay dividends. Even

then you still require Rs. 110 protection. It is rather a discouraging conclusion.

Mr. Muir.—We have other expectations. We hope that our working cost will fall still lower, and we hope that by paying less dividends we may be able to put aside a sufficient sum to still further reduce our overhead charges. Then there are the two questions of exchange and the rise in the price of foreign pulp which we hope will benefit us also.

President.—I must frankly confess that I was disappointed when I read this paper, because, as I was saying, the general effect of it is to suggest that even after you have got your works cost down you are a very long way off being able to dispense with protection.

Mr. Muir.—I don't think that quite follows.

President.—You are starting on the basis of Appendix I and then you say that no allowance was made for unforeseen contingencies and so on, and you say on that account make allowance for this and allowance for that, and here is the net result—you require Rs. 190 on printings and Rs. 200 on writings.

Mr. Muir.—With the exchange at 1s. 4d. there is a difference of a further Rs. 60.

President.—All I can say is that the general impression left in my mind is that the prospects of the industry are not so good as I thought they were.

Mr. Kale.—Do you think you have got a sufficiently large market in Bengal?

Mr. Muir.—At present there are other mills in Bengal, and in addition to their output we would not be able to dispose of the 5,000 tons in Bengal.

Mr. Kale.—So that to make a bigger proposition successful you will have to dispose of your products in other parts of the country and you will require a higher price in order to be able to make a profit to cover the freight to other markets?

Mr. Courtney.—Either that or the prices will have to be higher up-country than in Calcutta.

Mr. Kale.—But there is already so much competition in Bengal and in northern India generally that, unless you are able to get a higher price or reach other markets, you will not be able to dispose of the whole of your output, and if you are not able to do that then the proposition does not succeed?

Mr. Courtney.—That is, if the consumption of paper remains stationary.

Mr. Kale.—But do you expect that there will be a jump in consumption in the course of the next four or five years?

Mr. Courtney.—No, only the normal increase.

Mr. Muir.—As we wrote in our supplementary note, the consumption of paper has increased in the last 3 years inspite of the imposition of the existing duties.

Mr. Kale.—The increased consumption may be due to the fact that prices have been steadily declining.

President.—In 1921-22 the consumption was exceedingly low.

Mr. Muir.—Don't you think it is reasonable to assume that increase represents steady progress?

Mr. Kale.—But, as I have said, prices have steadily declined and therefore the consumption has increased, but if, as a result of protection, prices go up again, there will be a set back to consumption?

Mr. Muir.—But it was during the currency of these figures, was it not, that the 15 per cent. duty was imposed?

President.—You have got to remember the imposition of the 15 per cent. duty came on when the prices were falling, and therefore, although the consumer paid a higher price than he would, he was not paying a higher price than what he was paying before.

Mr. Courtney.—That is true. But it is doubtful whether the imposition of a tariff duty would increase the cost of paper very much. It would decrease the profit on the imported paper very much and possibly, as we hope, tend to capture the business of the foreign mills and increase the

consumption of Indian paper. The importer says he prefers to buy foreign paper now because he makes a bigger profit on it.

President.—So far as that happens, protection is ineffective for the purpose for which it is imposed.

Mr. Courtney.—Protection is not for revenue.

President.—But it does mean that you get extra benefit.

Mr. Courtney.—We get an extra share of the business.

President.—Not if the importer cuts the price to a similar extent. If you put on an extra duty of, say, Rs. 50 and the importer cuts Rs. 20 off his price, for practical purposes the extra duty is Rs. 30.

Now let us get back to the question of selling price. Are you in a position to give us the price at which you have been selling white printing during the year both gross and net?

Mr. Courtney.—At the beginning of the year—in January—we were selling cream-laid at 5 annas a lb. less $6\frac{1}{2}$ per cent. and white printing at 4 annas 9 pies per lb. That was the price quoted to the bazar.

At the present moment the nominal price for cream-laid is 4 annas $4\frac{1}{2}$ pies and white printing 4 annas 3 pies less $6\frac{1}{2}$ per cent. selling discount.

President.—Take the figure of 4 annas 3 pies. Supposing you got that, in the first place there is $6\frac{1}{2}$ per cent. to go off that as discount, that is little over 3 pies.

Mr. Courtney.—Yes.

President.—What else have you got to deduct?

Mr. Courtney.—We have to pay the Banian and Broker 3 per cent.

President.—That is another pie and a half.

Mr. Courtney.—Yes.

President.—That comes to $4\frac{1}{2}$ pies. Freight is negligible, so you get pretty near 3 annas $10\frac{1}{2}$ pies.

Mr. Courtney.—Yes, that is f.o.r. Calcutta.

President.—Would the difference between the price of a cream-laid and white printing be different from what it was before?

Mr. Courtney.—They are very much closer together at the moment.

President.—If with the c.i.f. price at about £29 and exchange at 1s. 5d. you are able to sell your paper at a price which gives you 3 annas $10\frac{1}{2}$ pies, is not that a very important factor for the Board to take into consideration in connection with what protection is required?

Mr. Muir.—It has to be taken into consideration, but I don't think it is quite as important as you suggest because we do not know whether the price is going to be maintained.

President.—In January last with the exchange at 1s. $4\frac{1}{2}$ d. you were apparently able to get approximately 4 annas 4 pies per lb. for white printing, f.o.r. works, so that your price and the c.i.f. price were not very different.

President.—Has there been any change in the relation of your price to the c.i.f. price? Are you getting relatively less when comparing your price with the c.i.f. price of imported paper?

Mr. Muir.—Yes. You just now instanced the fall in price. The Controller's tender for white printing last year was £29.

President.—There is a fall of about £1 in the price quoted to the Controller. That is not the point. Has this price of about 4 annas 4 pies that you were getting at the beginning of the year any relation to £29 at 1s. $4\frac{1}{2}$ d.? Starting with the figure as your basis and correcting the exchange of 1s. 6d., do you get your figure very different from 3 annas $10\frac{1}{2}$ pies? The whole difficulty is this. The paper made in India is not identical with the paper that is coming in, and therefore competition is not direct. Therefore it is of extreme importance to ascertain what you have been getting from time

to time when you know the c.i.f. price of imported paper, rate of exchange and the actual selling price you were able to get.

President.—Your selling price must be in relation to the c.i.f. price last tendered. Has there been any change?

Mr. Courtney.—Practically the same proportion.

President.—We know that both are lower. If both have gone down to the same extent, still they are in the same relation. If so, there is a permanent relation between your selling price and the c.i.f. price.

Mr. Courtney.—It is slightly under 4 annas 4 pies. In terms of sterling 3 annas 10½ pies at 1s. 6d. exchange is equivalent to 4.23 annas at 1s. 4.5d.

President.—It is an important piece of evidence that we have got to take into account?

Mr. Muir.—It is not quite certain whether the full effect of the rise in exchange has been felt.

President.—I am taking exchange at 1s. 5d.

Mr. Muir.—I took it at 1s. 6d. and 1s. 4.5d.

President.—I am quite prepared to hear anything you have to say on the subject. What I wanted particularly is to rub in that point. The best evidence you can get as to the protection required is the price you actually succeed in obtaining in competition with the imported paper. Especially if you find that the relation between the two remains constant over a period of a year, one would say "This is good evidence."

Mr. Muir.—On that point the other mills will be able to give better evidence owing to their having been in existence much longer than we have.

President.—We had a lot of discussion with them. They appear to be getting a higher price than the price of imported paper, and they gave various reasons. Whether they are good reasons or not, I am not prepared to say at the moment. Here again we are coming back to the same thing. If you are getting 3 annas 10½ pies with the exchange at 1s. 5d. and the c.i.f. price at about £29, you don't clearly require so much protection as you have asked for in order to get the price of just about annas 4.

Mr. Muir.—We have had steadily falling prices, and during the last two or three months we have been competing with paper which is imported at a less favourable rate of exchange from the importer's point of view.

President.—I have said for that reason instead of taking the exchange at 1s. 6d. take the exchange at 1s. 5d. for purposes of argument.

Mr. Muir.—Is the relation quite established?

President.—I think it is. What I suggested quite definitely is this. I do not want to know what the reasons are precisely, but if you take the lowest c.i.f. price for imported wood-free printing and make the minimum additions for landing charges, etc., you will be just below the price at which the Indian mills can sell their paper. I do think that you are actually receiving at the present moment the price you want to get after protection is given.

Mr. Muir.—We want to be assured of the price being maintained.

President.—If you get protection you will naturally take the fullest advantage of it. My immediate object is to point out that the price you have actually been getting during the last 3 months is very near the price you say you want to get.

Mr. Muir.—That is the price we hope to get when the output of our mill is increased and the practice improved.

President.—The price you get to-day has nothing to do with the scale of your operations. I am not concerned at the moment with the immediate result of protection. It does not matter whether you put up your new mill or not. That makes no difference to the price you get. Either you are asking for a great deal too much, or else the amount of protection you ask for will give you a much higher price, and it may be that you required that

price. I am not saying at all that your claim to protection is bad. If you get it, you will certainly get a great deal more than this price.

Mr. Muir.—Do you mean to say that we will get a higher price than the price which we think we can ultimately work to with our full output?

President.—I don't care in the least what you can ultimately work to. I am trying to define exactly what the amount of protection you are asking for means. What will it mean to the consumer? Sir W. Carey told us that he did not expect to get a higher price, but he hoped that it would enable him to compete successfully with the foreign papers. That is an argument I can understand. I don't say I accept it altogether. It is no use coming and saying we must put on this duty in order to give you a certain price, and then tell me you are getting that price already. The position is absurd. I am not complaining that you are asking for a higher price.

Mr. Muir.—I would like to think it over.

President.—It seems to be a very important point.

Mr. Ginwala.—I asked you some questions about this yesterday informally. I want the average price that you have realised for your paper this year, that is to say, the gross price. I think you gave me 4 annas 0·68 pie.

Mr. Muir.—We gave mill price less discount.

Mr. Ginwala.—I will put the discount at the other end.

Mr. Muir.—Discount is 6½ per cent.

President.—For what period is this?

Mr. Muir.—The 6 months ending September 1924.

Mr. Ginwala.—Is it an average gross price?

Mr. Muir.—Not a gross price, as the discount has been taken off.

Mr. Ginwala.—What does this 4 annas 0·68 pie represent?

Mr. Muir.—It represents the net amount of the bills to the customer.

Mr. Ginwala.—That represents your gross price, so far as you are concerned, does it not?

Mr. Muir.—In a sense.

President.—It is gross in the sense that you have still got to take off the brokerage, freight and things of that kind. It is net in the sense that you have taken off discount.

Mr. Muir.—Yes.

Mr. Ginwala.—That works out at Rs. 565 a ton.

Mr. Muir.—Yes.

Mr. Ginwala.—What we have got to be clear about is not the c.i.f. price of any class of paper that enters this country, but the price at which the foreign paper is able to compete against you, other things being equal. Supposing you quote a price of Rs. 100 and the foreigner also quotes. You get the contract at Rs. 100. It means therefore this, that he cannot compete against you at Rs. 100. His price is a little higher than yours. Is not that so?

Mr. Muir.—Yes.

Mr. Ginwala.—In this case Rs. 565 is the price which you get, that is to say, the foreign manufacturer cannot sell under Rs. 565. Is not that so?

Mr. Muir.—Yes.

Mr. Ginwala.—Assuming that your charges and his charges are the same in order to sell at a particular place, the foreign manufacturer without duty can sell at Rs. 480. Wherever you are selling he can meet you without duty at Rs. 480 and with the duty at Rs. 565.

Mr. Courtney.—Since that period it has dropped.

Mr. Ginwala.—We will make adjustments. Let us establish the conditions as they exist and then go backward or forward. Assuming that conditions do

not change then your price of Rs. 565 is to the foreign manufacturer the 'all-in' price of Rs. 480 plus duty. Therefore, that is the price, I take it, of the competing paper and not the c.i.f. price that you quote. Do you agree?

Mr. Muir.—It is very much more difficult to work it in that way.

President.—On the contrary it is much easier. What is the good of working out at Rs. 400 when you can yourself get Rs. 485 or Rs. 500. That paper does not compete against your paper. If you are able to get Rs. 565 it is the class of paper which the foreign manufacturer, after paying the duty, cannot sell below Rs. 565. It may be that there is no foreign paper which competes directly and if you take any given foreign paper you are either a bit below or a bit more. It depends on the way you select.

Mr. Ginwala.—I am trying to fix the price at which the foreign manufacturer competes against you. He must get Rs. 480 exclusive of duty.

Mr. Muir.—That Rs. 480 includes freight.

Mr. Ginwala.—I am coming to that afterwards. We assume that both of you sell in the same place and both have got to incur the same charges. I am not concerned with the price at which the competition really begins between you and the foreigner. I maintain on these figures it is Rs. 480 without duty. It is of considerable importance from your point of view as the President was saying to you this morning. If that is the price below which he cannot compete against you, then your figure Rs. 494 given in Appendix I is a reasonable approximation to that figure.

Mr. Muir.—On the other hand, of course, you may use the contrary argument and say on that figure the amount of protection which we are asking for is justified.

Mr. Ginwala.—I shall come to that when we deal with the all-in cost including profits to yourself. The difference lies very largely in this, that at present this price will not pay you at all on your present output, nor would it pay you for a considerable period afterwards. These are points I shall deal with. That is the figure somewhere quoted in the other figures you have sent in.

Mr. Muir.—These other figures that we have quoted are ultimate expectations. In the letter we sent in yesterday we have stated that they are unattainable at present by us and they will be unattainable by us for a couple of years or more, even if we were to increase our plant to-morrow.

Mr. Ginwala.—It is no good taking the total cost of the imported landed paper at these figures. So far as you are concerned they don't mean anything. After all, it does not matter at what price the foreign paper enters the country so long as it does not prevent you from getting what you are actually getting. That is the main thing.

Mr. Muir.—Yes.

Mr. Ginwala.—In may happen like this. Supposing Rs. 565 is the price that you ought to get and that you are getting. Now for some reason or other people begin to think that it is no use buying their paper at that price. They may like to substitute for the better article a cheaper paper. In that case, the question may arise as to how far a higher duty may be necessary in order to prevent substitution. But these are elements which we have to take into account later on. At present Rs. 565 is the price which you are getting. It is slightly above the price that you wish to claim.

Mr. Muir.—On the other hand, we have been dealing with a period of steadily falling prices.

Mr. Ginwala.—Again you are bringing in that element. We have got to consider that, but, as I have told you, not now.

Mr. Muir.—I think it does apply and there is a great deal of uncertainty in the exchange. Therefore dealers who import foreign papers on which they have to take considerably more risks require a larger margin of profit than they would when exchange became stabilised. Therefore I still hold that

the c.i.f. plus charges is a better means of comparison than the one that you have been employing.

Mr. Ginwala.—We have taken it that he cannot compete below Rs. 480.

Mr. Muir.—He has not been competing. We have been able to sell our production at that price. Might it not be that the dealers, as I say, during the period of uncertainty have been acquiring larger profits on their foreign paper? But it is reasonable that when conditions become stabilised they will be willing to take a very much smaller margin of profit.

Mr. Ginwala.—We must convert it into terms of money. Is not that so? The Board cannot deal with anything else. Can you ignore your past experience altogether in coming to some conclusions as to the future?

Mr. Muir.—I think you will be wise to treat the conditions of the past year or two with a great deal of suspicion.

Mr. Ginwala.—I am talking of the conditions of not the past year or two, but 4 or 5 months of this year.

Mr. Muir.—With a great deal of suspicion.

Mr. Ginwala.—It is true if we can get anything else to go upon. Here we have got very low c.i.f. landed prices. Against them in actual experience you have got a higher price.

Mr. Muir.—I think it is a better guide.

President.—I am not very much impressed with the reasons you have given.

Mr. Ginwala.—Will you give me the average price for your whole output for 1923-24?

Mr. Muir.—We will send it you later on.*

Mr. Ginwala.—I would like to draw your attention to the fact that you appear better off than, for instance, Titaghur Paper Mills in the matter of realised prices. On page 227 of the printed evidence you will see that their average selling price for the year 1923-24 was 4-028 and for May 1924 3-833 and in June it went down to 3-666. That is 3 annas 8 pies roughly or Rs. 514 a ton. The inference that may be drawn from that is that competition against you is in slightly better grades of paper.

Mr. Muir.—We are also manufacturing relatively superior paper, if I may say so.

Mr. Ginwala.—That is the inference which may be drawn from the figures. Even taking the Titaghur price of Rs. 514, which they have got, it is not very far off yours.

Mr. Muir.—These figures only show what we hope to obtain ultimately.

Mr. Ginwala.—I will now start at the other end, that is to say, the price that you ought to get and not what you are getting. There are two aspects of that question and I think we shall have to deal with them separately. The first is what price ought you to get on the assumption that your output has reached 5,500 tons? The next one is what you ought to get on your present output. This latter aspect is of some importance when we come to consider not your case particularly but the case of a new comer into the industry. When he starts what allowance ought to be made for him if the industry is to expand, so that he may eventually reach the output of 5,500 tons? Then he may expect to get the same figures as your estimated figures. We will first dispose of the "all in" costs, i.e., costs above the works cost which will be common to the two. We will take the unit of 5,500 tons, with a capitalisation of Rs. 45 lakhs which you have assumed. It is merely a matter of figures. First of all, we shall take the overhead, in which we include the interest on working capital, depreciation and Head office charges and the agents' commission. The working capital comes to Rs. 20 a ton at the rate of 7 per cent. Depreciation at the average rate of 6½ per cent. on the block value comes to Rs. 50. The Head office charges you told us work out to Rs. 4.3 a ton, and your commission on the profit basis amounts

* Statement X, Enclosure II.

to Rs. 10.26 and that makes a total of Rs. 80.84? Then we have got to add profits you have claimed at the rate of $7\frac{1}{2}$ per cent. on Rs. 20 lakhs.

Mr. Muir.—How much is it?

Mr. Ginwala.—Rs. 27.26, and 10 per cent. on Rs. 25 lakhs is about Rs. 50 a ton.

Mr. Muir.—I think that you have taken one figure out of 5,500 ton unit and one figure out of 5,000 ton unit.

Mr. Ginwala.—I have taken your own figures at page 16 of the supplementary memorandum. Shall we say Rs. 45? It will come to 73 to the nearest unit. Those are charges that we allowed in the case of steel. Now in your case there are certain additional charges, that is to say; you claim for freight and other things Rs. 28 a ton. We have to add that.

Mr. Muir.—You are harking back to Form I. In the Naihati figures in Appendix I you have got only Rs. 2.50 for freight that you work on.

Mr. Ginwala.—I am not working on anything just now. I want to know whether you claim Rs. 28 on these things.

Mr. Muir.—Not if we were considering a cost either f.o.b. or landed. Calcutta or f.o.r. mill.

Mr. Ginwala.—But you told me this morning that the price of Rs. 565 which you got included freight, is not that so?

Mr. Muir.—I think if I may say so, you took exception at the time to freight being included in our working charges, and in the subsequent figures that we have worked out we have made no allowance for freight.

Mr. Ginwala.—Rs. 565 that you got is the average price, is it not, per ton of paper?

Mr. Muir.—It is the average price that we suggested that we would like to obtain in the future.

Mr. Ginwala.—I asked you this morning for your average price and you told me that it came to 4 annas 0.68 pie per lb. or Rs. 565 a ton.

Mr. Muir.—I am sorry; that is our average price for the half year ending September 1924.

Mr. Ginwala.—That includes an element of freight?

Mr. Muir.—Yes.

Mr. Ginwala.—For freight and other charges I thought that you were claiming Rs. 28, which you either deduct from the other side or add to this side.

Mr. Muir.—It is Rs. 20.8.

Mr. Ginwala.—The total comes to Rs. 180 unless you have got to add your Banian's commission, which is Rs. 15.

Mr. Muir.—It has to be added.

Mr. Ginwala.—Can you think of any other?

Mr. Muir.—If we are not going to be concerned in the question of discount, there is nothing else to be added.

Mr. Ginwala.—Now this Rs. 195 has to be added to your works cost of Rs. 340.47, and it comes to Rs. 535.47. Against that you are actually getting Rs. 565.

Mr. Muir.—During the last half year we were getting that, but prices have fallen since then.

Mr. Ginwala.—Though you get Rs. 565 it is a good deal less than the price that you ought to get on your present output.

Mr. Muir.—Considerably less.

Mr. Ginwala.—Let us work that out. Apart from the works cost, Rs. 195 will remain the same in both cases.

Mr. Muir.—No.

Mr. Ginwala.—What do you mean by 'no'?

Mr. Muir.—Because we pointed out that to increase the capacity of our mills would take relatively a much smaller proportion of capital than the erection of the first portion.

Mr. Ginwala.—I told you at the outset that we have to work that afterwards. It will require more figures which we have not got at present, but let us assume that you get a proportionate profit and a proportionate depreciation on that.

Mr. Muir.—At any rate we can take our figure as Rs. 195.

Mr. Ginwala.—It allows a little more for working capital but that is a small matter.

President.—At any rate, you would be rather glad if you had that sum after meeting the works cost?

Mr. Muir.—We would be very glad at the present time.

Mr. Ginwala.—Taking your works cost of 1923-24 as Rs. 457.

Mr. Muir.—I would rather take it as Rs. 465.

Mr. Ginwala.—You have not given the correct figure. Taking Rs. 457 as your works cost and Rs. 195, you ought to get Rs. 652, whereas you were actually getting Rs. 565. On that basis—Rs. 565 that you were getting included the duty of 15 per cent.—the additional protection required would be Rs. 87, i.e., the difference between Rs. 652 and Rs. 565.

Mr. Muir.—Yes.

Mr. Ginwala.—Will you please give us your figures corresponding to Rs. 457 for the last six months?

Mr. Muir.—We will send them to you later on.*

President.—May I take it that "etc." has gone in somewhere into Rs. 195?

Mr. Muir.—No. You have got to add Rs. 8.

Mr. Ginwala.—When I asked you 'are there any other figures to be added' you said 'no'.

Mr. Muir.—I thought that you would not have it.

Mr. Ginwala.—From your point of view I gave you a figure which terminated at the Banian's commission. If you wish to add Rs. 8 to that, it comes to Rs. 660 or a difference of Rs. 95—additional duty.

Mr. Muir.—That is right.

Mr. Ginwala.—According to these figures you get a proportionate depreciation, overhead charges and profit.

Mr. Muir.—Yes.

Mr. Ginwala.—Your point is in that way you are losing more than Rs. 95 a ton?

Mr. Muir.—Yes.

Mr. Ginwala.—The point is how are we going to assess that in determining any additional protection which you may require. Do you take it on the basis that any man who starts has got to work up from the same sort of unit as you did? Is it not rather an uneconomical unit to start on?

Mr. Muir.—We have already pointed out to you that it is not as economical as a two-machine unit, but still all industries have to be built up from small units.

Sir Thomas Catto.—May I reply to that? If the margin of profit was not large enough with a one-machine mill, it would not be advisable for anybody to start in the industry. If there is not a possibility of substantial profits the risks are too grave for capital and we would not be able to get the capital. My point is this, that if a mill such as we now have cannot be made to pay, then I don't think it would be possible to get capital to go in for such an industry. First of all it would require a large sum of money,

* Statement X, Enclosure I.

and if the margin of profit was reasonable on the one-machine mill, we would realise that on a two-machine mill we could make more profit but that is a legitimate profit for anybody starting such a new industry. A man has a small mill which shows encouraging results. He says—"As it stands I can make so much profit and by spending another 10 lakhs and putting in another machine I can make a little more on the total capital." He is risking more capital and, it would seem reasonable, he has a right to the extra profit.

President.—On the basis of the world competition? But if he can only get profit at the expense of the general public and the State, the position is not quite so simple. It is not a question of any right. It is a question of fact as to what amount of protection is required in order that the capital may be invested in this industry.

Sir Thomas Catto.—I am not asking it as a matter of right. I am only answering Mr. Ginwala's question to show that without some encouragement on the existing basis there would be no incentive for expansion and capital would not be attainable. I would like to go further on the same subject if I may be permitted. When we made our figures originally and tried to start this industry we thought and we had every anticipation that we could make a handsome profit against any competition. I want to tell the Board we have not changed that opinion. What has upset our calculations is the fact that conditions in Europe have changed so quickly that we are faced with a fierce competition at extremely unprofitable rates, not only to us but to those people in Europe. If the paper trade in Europe was working on a normal profitable basis, I feel that we probably could work on a profitable basis, but the situation that exists in Europe to-day is such that existing conditions in the paper trade may continue for some years because many mills in Europe expanded far beyond their normal sales capacity during the war and in the post-war period. Therefore, these conditions may continue for such a time that our industry might be put out of business before there is any recovery in the paper trade. The basis of our application to you is this that we don't think we shall always need protection. If we had been established for a few years in this industry I doubt even if the present situation would have necessitated us to come to you. That is my whole point.

Mr. Ginwala.—I am trying to get at more figures if possible. Here we assume that a man would begin with a unit of 2,500 tons, not only that but he will have a complete unit to start on. What I want to know is what is it that a man ought to get if he only produced 2,500 tons, which is what you are doing now?

Mr. Muir.—Do you want to know the minimum price he ought to obtain?

Mr. Ginwala.—With regard to that, these figures won't apply at all. Nor will the figure of Rs. 195 apply. It is possible that Rs. 457 might apply. We have got nothing else except your actual experience which gives a figure of Rs. 457 but as regards Rs. 195, what is it that he ought to get?

Mr. Muir.—Do you mean what would be the profitable price?

Mr. Ginwala.—What ought to be his overhead charges and profits? You have of course given them on your present capitalisation.

Sir Thomas Catto.—We quite agree that our present capitalisation is high because of the conditions that existed.

Mr. Ginwala.—In this case you have taken 5,500 tons and Rs. 45 lakhs as the capitalisation. I think that Mr. Muir told us that he would have to spend about Rs. 10 lakhs more to increase the output from 2,500 tons to 5,500 tons.

Mr. Muir.—It is a little more than that.

Mr. Ginwala.—Supposing we took that Rs. 10 lakhs, your capital is reduced to Rs. 35 lakhs.

Mr. Muir.—I think that it was about Rs. 12 or 13 lakhs which we took as the increase in cost.

Mr. Ginwala.—Take Rs. 32 lakhs. I don't wish to work out the figures just now. If your capitalisation is about Rs. 32 lakhs, your working capital would be reduced from Rs. 14 lakhs to Rs. 10 lakhs, is it not?

Mr. Muir.—The working capital would be the same as in our original answers.

Mr. Ginwala.—Your depreciation would be at 6½ per cent. on Rs. 32 lakhs.

Mr. Muir.—Yes.

Mr. Ginwala.—Your commission, I take it, would come down. We will have to work that out, but I take it your Head office charges will remain the same.

Mr. Muir.—They will be a little less. We will give you an estimate.

Sir Thomas Catto.—I should like to take commission out when there is no profit. It should be against profit and not part of cost.

President.—A reasonable office allowance should come in to cover out-of-pocket expenses and the rest should be simply treated as profit?

Sir Thomas Catto.—That would be the fairest way to do it.

Mr. Muir.—You can take Rs. 2,500 as our present out-of-pocket expenses.

Mr. Ginwala.—Your commission will go out on that basis?

Mr. Muir.—Yes.

Mr. Ginwala.—As regards the profit you will have to split it into preference shares and ordinary shares. I take it that it would be in the same proportion of 20 to 25?

Mr. Muir.—That is an arbitrary arrangement. If it meets with your approval, we will take it again.

Sir Thomas Catto.—I would like to have a word on that. The question of preference shares or debentures or any other arrangement of capital has nothing to do with it. You should take the money invested in the business because the proportion of preference shares is a matter of opinion and of expediency and of money conditions at the time. Many of the largest and best businesses in the world have no preference shares at all, and therefore, if there are Rs. 40 lakhs engaged in the business, the best thing to do is to ascertain what is a reasonable return on that amount.

Mr. Ginwala.—We have to make a comparison. We have taken it in the other case and it should also be taken in this case. Take your preference capital and ordinary capital in the same proportion of 20 to 25; then of course freight would remain the same, but the Banian's commission would go down. Will you kindly prepare this statement for us and let us have it.* Then there were two points raised, one was the question of the return on the capital. It was pointed out to us this morning that you cannot attract ordinary capital at 10 per cent.

Sir Thomas Catto.—No, I don't think we can. Not in a new industry.

Mr. Ginwala.—That is to say, this is an untried industry. But if you were starting a jute mill, for instance?

Mr. Muir.—If you were investing a little money, Mr. Ginwala, if you are shown a series of figures by people in whom you have the greatest confidence that the capital would bring in 10 per cent., would you be inclined to discount those figures?

Mr. Ginwala.—The occasion has not yet arisen, I am sorry to say.

Sir Thomas Catto.—I think I could give some examples. If a company over a long period of years has shown ability to pay a dividend of 10 per cent., then if you wanted to raise more capital you could probably raise it on a 10 per cent. basis with such a splendid record. But in a new industry it would be quite impossible. Take the Bengal Coal Company, over which I have the honour to preside to-day. That Company pays a very high dividend. Its shares sell at quite a large premium. In this case the return on the market price is approximately 8½ per cent., that is, free of income

*See Statement X, Enclosure IV.

tax. If this is allowed for, then, roughly speaking, the Bengal Coal Company pays to its shareholders 10 per cent. on the market value of their shares. If one can get 10 per cent. return on money by buying Bengal Coal Company's shares with a long record of being able to pay that dividend, why should one go into an industry which is comparatively new and uncertain to get 10 per cent. I am only giving you an idea of the market conditions in Calcutta. You can see that anybody before going into such an industry would say 'we might as well go and buy Bengal Coal Company's shares which has a good record of dividends.' If offered something new, an investor would certainly want something more than that.

Mr. Ginwala.—We will take it that in the case of an established industry, which has got a sort of reputation of earning a certain amount of dividend, capital may be forthcoming at 10 per cent., but that in your opinion in the case of a new industry such as this, which has not been tried for any length of time, new capital would not be attracted at that rate. What is the rate that you think you can reasonably ask the country to offer to an infant industry to-day?

Sir Thomas Catto.—I should say, in India a minimum 15 per cent.. Of course if the Company had preference shares, then the actual return on the total invested capital would be much less than 15 per cent. That return refers to ordinary shares.

Mr. Ginwala.—15 per cent. on ordinary shares. That would raise the figure of 45. Add 50 per cent. to that and that is another Rs. 22½ a ton. In making up the other table you can take it on the same basis. Is there anything else that a new industry ought to get?

Sir Thomas Catto.—I consider 15 per cent. on ordinary shares as a reasonable return, I don't mean the total capital invested in the industry. For the total amount of money required the average might not exceed 8 per cent.

Mr. Ginwala.—We have taken preference shares at 7½ per cent. and to



of 4 or 5 years reductions in cost may not take place which will mean that the present price will become remunerative. That is the alternative.

Sir Thomas Catto.—I would venture to say it is likely to go the other way because it is an industry which for three years has been in a very difficult condition and wages, etc., have been reduced to the very minimum. The moment there is a little prosperity in the paper trade, there will be a demand for increased wages and they will have to give it.

President.—But one has to take into consideration the fact that in future the most formidable competition may not come from England?

Sir Thomas Catto.—Wherever it comes from, the moment there is prosperity there will be demand for increased wages. That applies not only to England but all over Europe. The moment money is being made labour, and quite rightly, wants to participate in that.

Mr. Muir.—Referring to Mr. Ginwala's last point about the future of the industry—whether ultimately we would be able to do without protection—I would like to draw your attention to the fact that, even allowing for the extra charge of Rs. 37, what we have taken as the works cost at Naihati for a 5,500 ton paper mill is still exactly the same as we estimate for an English mill at 1s. 4d. exchange.

President.—But the kind of paper with which you are in keen competition is not paper made in the British Esparto mills?

Mr. Muir.—Against that you have to counterbalance the difference in freight to this market or to the neighbouring markets.

President.—But we can't say that we know the cost of the chemical wood paper made on the continent with sufficient accuracy to say that.

Mr. Muir.—We are unable to get their cost.

President.—Therefore the figures you have given do not quite close the issue.

Mr. Muir.—On the other hand, if these figures we have obtained are correct, they are the keenest for cost of production of pulp in the world.

Sir Thomas Catto.—In connection with that I would like to suggest that we should not attempt to compare a Norwegian pulp mill cost in sterling and then take the sterling at 1s. 4d. unless we know at what rate sterling was taken in relation to Norwegian exchange at the time. As you know in Europe exchanges are varying quickly and very often this would make a very great difference in the sterling value. I think that is a very important point. We are taking it in India and working it out at 1s. 4d. and 1s. 5d., but we have nothing to show us what the exchange was between Norway and England on that date. In order to get a real comparison it would be necessary to know all these factors and their relation to the rupee. In other words it is quite possible there was such a variation at this particular time that it might entirely change comparative figures.

Mr. Ginwala.—After all, for practical purposes, what is more important is at how much you can sell.

Sir Thomas Catto.—I was talking of these comparisons with costs of foreign pulp and paper and I feel that it is not fair to make a comparison without knowing all the rates of exchange.

Mr. Ginwala.—You gave these figures yourself.

Sir Thomas Catto.—I quite agree, but what I am pointing out is this, that if we had realised the importance and the minuteness with which you would be considering these points, we would have endeavoured to make all figures as comparative as possible, with exchange variations taken into account. I only realised yesterday your intention to compare the figures with Indian costs and how greatly the question of exchange comes into these comparisons.

President.—But in all these comparisons of cost of the Continental countries quite clearly the question of exchange comes in and therefore this comparison should be made. I understood you to say that the cost you

expect to get in a reasonably sized mill for the manufacture of pulp showed that you had a reasonable chance of competing.

Mr. Ginwala.—I was talking about a new man wanting to start this new industry. I want to know your actual experience, that is to say, from the time you definitely decided to start, how long did it take to construct the mill?

President.—From the date you register your company to the date when you begin to manufacture?

Sir Thomas Catto.—I should say that in regard to the plant of the India Paper Pulp Company it took a long time. We had many disappointments, we had many tribulations to go through. I don't think that would apply again to a man starting in the industry, and I should say that if he had all his machinery ordered he could have his plant going in a year under favourable circumstances.

Mr. Ginwala.—That assumes also that his raw materials also become available in that period, does it not? There are other things besides the plant.

Sir Thomas Catto.—I would assume that any man starting a mill would have made arrangements for raw material before he placed his orders for machinery.

Mr. Ginwala.—That is to say, his capital would get locked up at least for one year before he starts?

Sir Thomas Catto.—I should, on further consideration, say a year and a half would be nearer.

Mr. Ginwala.—That is, before the machinery gets going. Now to reach this output do you assume that he would start with two machines or that he has got to start with a one-machine mill?

Sir Thomas Catto.—I would assume that he would start with one. It is a question of finding capital, and the capital required in this industry is very great and it is very difficult to obtain it. He would certainly begin with one machine.

Mr. Ginwala.—And after that when he got going, how long would it take to reach the output of 2,500 tons?

Mr. Courtney.—It was 7 months before we produced 200 tons in a month.

Sir Thomas Catto.—I should say the probabilities are that a man starting now would not have the difficulty we had at the beginning, and it would be four to six months at the outside.

Mr. Ginwala.—That is two years. Two years after he has started he has got to duplicate the plant?

Sir Thomas Catto.—If he can get the money.

Mr. Ginwala.—We assumed in our recommendation that it would be forthcoming. How much longer would it take to get from 2,500 to 5,500 tons?

Sir Thomas Catto.—If his first plant was put up with the idea of ultimately having two paper machines, I should say that before he got the second one going it would take another year.

Mr. Ginwala.—It would be $3\frac{1}{2}$ years before he begins?

Sir Thomas Catto.—It would be 3 years from the time he started before he got properly going.

Mr. Ginwala.—In inviting your capital when you issue your prospectus you would have to make allowance for the capital not earning for three years, would you not?

Sir Thomas Catto.—Only on the preference shares, which would probably be cumulative, but not on the ordinary shares.

Mr. Ginwala.—So that the 15 per cent. that you suggest would include this period of waiting?

Sir Thomas Catto.—Yes.

Mr. Ginwala.—With regard to preference shares, they would have to be cumulative?

Sir Thomas Catto.—Yes, undoubtedly.

Mr. Ginwala.—Not necessarily. The new preference shares of the Tata Iron and Steel Company did not get any dividend for 2 years or so.

Sir Thomas Catto.—A preference shareholder accepts a much smaller return on his money because of the safety and because of the fact that he is going to get a steady dividend. The ordinary shareholder says "If I will probably get 15 per cent. or more, then if for one or two years I do not get a dividend, that is a risk I must take." But that is not fair to ask of a preference shareholder because in times of prosperity he does not get any more. Therefore I think the cumulative principle in the preference share is a perfectly correct one.

Mr. Ginwala.—So that in that case you suggest that for about half the capital it would be usual to make allowance for the period that the capital does not earn?

Sir Thomas Catto.—As a matter of fact dividends even on preference shares should not be paid until a profit is made, they would have to wait. But it would be cumulative and payable as soon as profits justified in. It comes to the same thing.

Mr. Ginwala.—In that case it is plain even on these figures which I have asked for from Mr. Muir that an addition has to be made on account of this capital remaining locked up?

Sir Thomas Catto.—I agree with you there, but of course it is presumed that at the end of the year or year and a half the Company would be making some money and earning something towards payment of the cumulative interest on the preference shares.

Mr. Ginwala.—We are assuming that you get only what we have fixed. In that case from what fund is it going to be paid?

Sir Thomas Catto.—It would only be paid from the profits of the Company.

Mr. Ginwala.—We have seen that in your profits on these different rates that you have mentioned there is no provision for accumulation of dividends.

Sir Thomas Catto.—That is a very important point. I think the first unit, which I have assumed may take a year and a half, ought to be able to earn enough to pay dividends on the preference shares. For one year and a half preference dividends would have to wait, certainly for one year in any case, on the actual paid up amounts.

Mr. Muir.—There is one other point and that is, when you call up your capital, if it is a 100 rupee share, you issue scripts of Rs. 20, and again Rs. 20 and again another Rs. 20, and so on.

Mr. Ginwala.—The Company loses money before it starts earning any money. Then you spread it out over a number of years. Then you say in the initial stage we have lost, say, Rs. 20 lakhs, that has to be found from something, that will come from the Company. Then you say in ten years time we will work up to Rs. 20 lakhs. But you have got to find that 20 lakhs.

Sir Thomas Catto.—As Mr. Muir pointed out, supposing that it took a year and a half before the first unit was working, the money would not be called up at once, it would be called in various calls as required and the full interest on the total would only date from the time the calls were made. The probabilities are that in the first year it would hardly amount to 7 per cent. The possibilities are that it would not amount to more than 3½ per cent.

Mr. Ginwala.—May I take it that for practical purposes it is negligible, and that one must start from the time when you begin to work up to 200 tons?

Sir Thomas Catto.—Yes, except that the preference shares would be cumulative and their dividend would accumulate during the time the factory was being built.

President.—Is the figure for freight in Forms I and IV the average of your freight to all destinations?

Mr. Courtney.—Yes. The figure in Form I was the actual amount paid.

President.—There is the difference of 'etc.' But I am not referring to etc.' now. I am only referring to the freight.

Mr. Courtney.—Yes.

President.—When you sell up-country, let us say at Allahabad, do you realise a price in Allahabad sufficient to cover freight from Naihati to Allahabad?

Mr. Courtney.—Our price very often is exactly the same as it would be in Calcutta.

President.—It is not a new point. We asked a good many questions, most of them of the Titaghur Mills in Simla, but it is a curious statement of theirs, and there has been a good deal of comment by the people who are interested in the paper trade. In fact they complained bitterly of the customs of the paper mills selling their output in the mufassal at a lower price.

Mr. Courtney.—We found it when we came into business in 1922.

President.—The suggestion of the paper traders is "This is due to the internal competition amongst the mills. It is not due to anything external. We should like to realise the price and the freight which we got for the imported paper."

Mr. Muir.—Why should the competition be keener farther away from the mills?

President.—Because in the attempt to get a larger output—you can only do that by expanding the area of your market—and to get a footing in the market you make things easy. That is the suggestion. It is unusual, is it not, to cut the price in up-country stations like that?

Mr. Courtney.—If we had tried to make the consumer pay the freight, we should have got no business.

President.—It is not clear, as a matter of fact, that the importers do follow this practice. I think they said that in their price they included the freight.

Mr. Muir.—They could do it provided their total cost is not higher than ours.

President.—It certainly looks as if the initiative had come from the side of the Indian mills. As you say, you found it in existence when you started.

Mr. Muir.—Is there not an alternative suggestion that the importer may be making more on paper in Calcutta than up-country?

President.—He would like to make more up-country too, and he thinks he could were it not for the action of the Indian mills. I think it is a point of some importance. It rather supports the suggestion that the competition between the Indian mills has something to do with the present level of prices of paper made in India. I never felt we cleared up that question when we took evidence in Simla. I thought that it was just as well to mention it to you, although the people who really ought to answer it are the Titaghur people. As regards the question of the rate of interest which will attract capital to a new industry, I quite see the force of what Sir Thomas Catto said. When a well-established firm, which is paying large dividends, wants new capital, it can get it on comparatively easy terms, and on the other hand when an untried industry—where things are rather in the air—wants to raise capital it has to offer something which is a good deal higher. But, if that new industry becomes a protected industry, which Government has definitely announced its intention of protecting, does not that make any difference?

Sir T. Catto.—I may be able to answer that. I might put it this way. To the Iron and Steel industry a certain amount of protection has been given.....

President.—That brings us on to the question of the particular circumstances.

Sir T. Catto.—I agree. Those particular circumstances might also apply to the paper industry. We might make mistakes. There are a great many things.

President.—Do you think the fact that an industry was protected would make no difference in the mind of the investor?

Sir T. Catto.—To me it would not make any difference. I would take it that there might be such competition amongst mills in India that there might be very little profit. That might be a very important factor.

Mr. Ginwala.—It rather comes to this, does it not that, however much you may say you are going to give 10 per cent. the investor will not believe you?

Mr. Muir.—We would have to give conclusive proofs.

Mr. Ginwala.—Even if the Government were to say from the housetops that the industry is going to get 10 per cent., the investor would still say 'No, they simply say 10 per cent. when they mean less.'

Sir T. Catto.—Yes, unless Government announced that it was going to guarantee a price that would enable paper mills to earn 10 per cent. Then we could get all the money we want.

Mr. Ginwala.—Government can hardly go to that length. We can only calculate probabilities. We cannot give a certainty.

Sir T. Catto.—I agree. You could not give any guarantee against uncertain things that might arise. We might put the mill in a wrong place or we might put in the wrong kind of machinery. Although theoretically we ought to have earned the 10 per cent., we might not, and therefore the investor has not got a guarantee simply because the Government might possibly do something to help the industry.

Mr. Muir.—The investor can earn more than 10 per cent. on existing established industries at the present time, e.g., jute and shares—coal shares too.

Mr. Ginwala.—Some coal shares.

Mr. Muir.—Yes.

Mr. Kale.—Will a man who wants to buy a share be able to get 10 per cent. at their present price?

Mr. Muir.—Many shares do give 10 per cent.

President.—In the coal trade the average yield might be considerably higher than that. The importance of the point lies in this that, if it be a fact that it is no use trying to attract capital to industries in India unless they promise a very high yield as compared with what is asked for in European countries, it seems that India has a natural disadvantage as regards the development of industries, and therefore it makes the whole question of protection a great deal more difficult.

Mr. Kale.—From what you said, are we to conclude that the case for protection rests on the probability of the prices of paper going up in the near future?

Sir T. Catto.—Yes.

Mr. Kale.—If we find that this prophesy is not going to come true, then are we to understand that protection will not be of any use to the industry?

Sir T. Catto.—No, protection would be of use to the industry in any case, but there is no means by which you can find out that the price of paper would not advance.

Mr. Kale.—We have then to assume all along that the price of paper will advance if we want to conclude that protection will benefit the industry and ultimately enable it to stand on its own legs?

Sir T. Catto.—Yes. The reason why it may be taken as reasonable to assume an eventual rise in prices, is that we all admit, I think, pulp and paper costs in European countries at the present time are at about the lowest level at which they can possibly manufacture. Therefore the tendency must be against a further decline and in favour of a rise in periods of prosperity when demand increases.

President.—I began this morning by pointing out that the manufacture of paper from grass and the manufacture of paper from bamboo are entirely different propositions, and you have agreed to that.

Mr. Muir.—Yes.

President.—At any rate the bamboo paper can stand on its own merits whatever the decision might be about grass paper?

Mr. Muir.—Yes.

President.—We have got to ask you questions now on the assumption that it is possible that the Board might come to that conclusion. Is it worth while to encourage the manufacture of paper from one of the materials and not from the other, but in that case the method of protection by protective duties would clearly be out of the question? You cannot discriminate in the Customs House between paper that is competing with grass papers, and the paper that is competing with bamboo paper. The discrimination is quite impossible. I think the alternative would be the grant of bounties or subsidies. I take it that it does not make any difference to you, so long as you get the amount of protection you want. There is also this that, if it were finally decided that only the manufacture of paper from bamboo should be encouraged, since it is in its early stages, the encouragement should in accordance with what the Fiscal Commission has said take the form rather of bounties than of protective duties. Obviously it will be several years before the manufacturers of bamboo paper will be supplying more than a small proportion of the Indian demand. Supposing the Board were considering recommendations of that kind, we should have some way to ascertain how the amount of bounties would be calculated. One would assume that the present rate of duty is going to continue for the obvious reason that there is no particular reason for thinking that the Government of India will be in a position to sacrifice much of the Customs revenue for sometime to come. First of all we have to decide what would be a reasonable price to the Indian manufacturer, taking into account all these considerations which Mr. Ginwala has been drawing attention to. Then, in addition to that, we should have to consider at what price imported paper was likely to enter the country now, subject to the present rate of duty, and subject to certain qualifications we were discussing this morning. The difference between the two figures would determine the amount of the bounty. That would be a reasonable way of trying to calculate it, but then we should have to consider this possibility. Supposing a manufacturer were making his paper from straight bamboo, without using any wood pulp, then I take it that for practical purposes a ton of pulp would be equivalent to a ton of paper. It is near enough for practical purposes. Then supposing one manufacturer was, as you have been compelled to do, using a certain proportion of wood pulp and the other was not, how would you arrange the bounty? You don't want a bounty on the use of wood pulp. How would you arrange for that?

Sir T. Catto.—Could it not be done per ton of bamboo pulp that was used?

President.—That is the suggestion I expected.

Mr. Muir.—The whole idea would be to encourage the use of bamboo pulp rather than the imported pulp.

President.—Supposing you work it this way. In one factory the production of paper is 3,000 tons and 500 tons of wood pulp is used, would it be reasonable to take 2,500 as being the quantity of bamboo pulp used?

Mr. Muir.—Yes.

Mr. Courtney.—The yield from wood pulp is not 100 per cent. There is 10 per cent. moisture in it.

President.—I am not dogmatising. I am mentioning these points in the hope that you will correct me if I am wrong.

Mr. Courtney.—Supposing a mill uses wood pulp as well as bamboo pulp in making paper, then as wood pulp contains 10 per cent. moisture a formula could be easily worked out so as to ascertain exactly how much bamboo pulp has gone through the mill.

President.—There is another complication that might arise and that is a mill might be using partly bamboo and partly grass. How would you deal with a case like that? In the case of the wood pulp there is a shorthand

method, whereas in the case of grass pulp, it might be a little difficult to ascertain without making elaborate enquiries how much bamboo pulp had been turned out. The Government Revenue Authorities might find it rather difficult to check the alleged output of the bamboo pulp.

Sir T. Catto.—I quite agree. I would not like to make any suggestion. I think it will have to be considered with some knowledge of a mill manufacturing paper from grass, which I don't possess.

President.—Could one tackle it from the opposite end as to the quantity of bamboos used, or would that be difficult? Could we take a certain figure as the quantity of bamboos used to make a ton of pulp and determine the output of pulp from the consumption of bamboos?

Mr. Muir.—It would be difficult.

President.—Do bamboos change in weight?

Mr. Muir.—Wood pulp is fairly pressed, it is not a common thing. It has only one use. Bamboos have a hundred uses.

President.—That is one of the difficulties.

Sir T. Catto.—I think your question can be answered. We will have to consult our experts. I have no doubt a formula could be worked out.

President.—It is desirable to make it as simple as the circumstances admit of.

Sir T. Catto.—We will have to get our practical paper men to see how that could be worked out.

Mr. Ginwala.—There is one other difficulty in that. If you take one ton of pulp per ton of paper it is not really that you use one ton of pulp at all. You use other ingredients, chemicals and other things, which make up what you lose on the one ton of pulp.

Mr. Muir.—Still it is near enough.

President.—If they were using nothing but bamboo to make their paper it would not be worth while worrying.

Sir T. Catto.—I quite agree. The tendency would be for the mills to manufacture from bamboo pulp, because they would be getting something on the bamboo pulp, and not from the other.

Mr. Ginwala.—It is true, but we want to ascertain how much bamboo pulp you have used. Is there any method by which you can say either at the digesters or at a half-stuff stage how much of this bamboo pulp you have produced.

Sir T. Catto.—Bamboos and chemicals all go into a big digester. I don't think you could discriminate.

Mr. Ginwala.—If pulp is manufactured at one place—Jaitpura—and taken to Naihati it would be easy.

Mr. Muir.—I don't see how that would help you. For practical purposes, as the President has said, one ton of pulp is equal to one ton of paper. I don't quite see the difficulty. It does not seem to matter whether they are manufacturing in two different places or not.

Mr. Ginwala.—Where is the guarantee that the man may not use wood or grass pulp and then claim a bounty?

Mr. Muir.—Leaving aside the question of mixing grass and bamboo, which I admit is very difficult, I think any bounty could be easily arranged between bamboo and wood pulp.

President.—If there is only wood pulp, the difficulty can be got round?

Mr. Courtney.—I think we can calculate that easily, but with grass it is different.

Mr. Ginwala.—Supposing a bounty is given on the bamboo pulp and then these grass mills say 'All right, they are getting a bounty on bamboo; let us manufacture bamboo pulp ourselves and use it with our grass.' In that case what is the check?

Mr. Muir.—It is very difficult.

Mr. Ginwala.—We cannot say we must give it to you only. It must be that anybody who wants to manufacture paper from bamboo must get the bounty. When the grass mills come to know of the bounty being paid to bamboo, they will turn their attention to bamboo pulp, and they will use as much as possible and for the rest they will use grass. In that case in what way can we find out how much bamboo pulp is used?

Mr. Muir.—We have given you one or two formulae of the use of bamboo. You might take the imports of bamboo into a mill on the railway receipt.

Mr. Ginwala.—You yourself say that it was not necessary to get all your bamboo from Chittagong. You said you could buy it in the local bazaar.

Mr. Courtney.—That is a difficulty. We might buy bamboos green which contain 42 per cent. moisture, whereas in those from Chittagong it is 10 per cent.

Sir T. Catto.—I think it requires a little thought and discussion with experienced paper-makers. I am not sufficiently familiar with the technical process to say how we can do it in regard to bamboo and wood pulp.

Mr. Courtney.—We don't know what process anybody else would be using for cooking bamboo. If it is our process they would have to be done in different plants. Possibly it would be fairly easy. If the soda process is going to be used they might put both in the same digester. We know nothing about soda digestion.

Mr. Ginwala.—You have not got any method by which you can say how much of pulp you manufacture before you go on to paper?

Sir T. Catto.—We would like to be given time to think over this.

Mr. Kale.—The idea is to encourage the exploitation of the bamboo. Suppose it is proposed to give a bounty, and the bounty is to be restricted to the manufacture of pulp out of bamboo alone, or the manufacture of pulp from bamboo and paper from that pulp, or the bounty is to be restricted to the mills which are exploiting bamboos to begin with, and the mixing up of the bamboo and grass pulp has to be kept aside for the moment, and the time may come later on when the output of the bamboo pulp may be so large that other mills might take their supply of bamboo pulp from you or from other factories that might be started later on. Then it would be time to solve this question?

President.—Supposing the Board had taken the view and Government accepted it, that it was desirable that the manufacture of paper from bamboo should develop rapidly, the most rapid way in which it can be done is by existing mills taking to bamboos. If you are going to close the door against the grass mills it won't be a sound proposition.

Sir Thomas Catto.—So far as our Company is concerned that would be perfectly satisfactory to us, because it has been our intention all the time to manufacture from bamboo. It is true that we wish to develop it. Our whole scheme is to manufacture paper purely from bamboo.

Mr. Kale.—The manufacture of bamboo pulp has still got to be explored. When it is proved to be a successful proposition, it will be worth while beginning with the manufacture of bamboo pulp alone.

Sir Thomas Catto.—That would be satisfactory to us.

President.—I think that the existing mills would certainly feel aggrieved if they were debarred as long as they used grass. It is certain, whatever happens, a certain amount of paper would continue to be made from grass. I don't think that grass is going out altogether.

Sir Thomas Catto.—Where paper is made from bamboo it would be a mistake to mix it with grass in any way because you would be reducing the quality of the bamboo instead of increasing it.

President.—There is the question of replacing wood pulp by bamboo pulp in the grass mills. That is one way of making the industry self-supporting

in India. Your own proposal for a protective duty on wood pulp means that. If I am right in thinking that there are certain kinds of paper which will always be made out of grass, then it is desirable that the manufacture of paper from bamboo should be done by somebody else.

Sir Thomas Catto.—I quite agree with what you say. It is desirable in the interests of the country that the two things should work together.

Mr. Kale.—We might have this state of things. There may be certain grass mills and there may be bamboo mills at the same time. It is unnecessary to mix up the two together. The grass mills may continue to use grass, as there will be a demand for paper made out of grass.

President.—They may require a certain proportion of wood pulp.

Mr. Kale.—Whether bamboo pulp can take the place of wood pulp has yet to be established. Perhaps it might be found that bamboo pulp might not be a proper substitute for wood pulp.

President.—Clearly that has got to be established. If we find the other way that the bamboo pulp is not a suitable substitute for the wood pulp, then the difficulty disappears as nobody would try to use it.

Sir Thomas Catto.—I can assure Prof. Kale that the bamboo pulp will do everything wood pulp can do and more.

President.—You remember the discussion that took place in the Legislative Assembly last May on the proposal to grant bounties on the manufacture of certain kinds of steel, and you remember, no doubt, the condition inserted by the Assembly in the Steel Protection Act to the effect that the company which received the bounty should have a certain proportion of Indian capital or a certain number of Indian Directors, (it was left rather vague) to be settled by the Governor General in Council. I think that the Board must proceed on the assumption that the Assembly will take a similar view in any subsequent case that comes up. That is one point which has got to be kept in view, and the other point is that the sulphite process for making-paper out of bamboos is a patent process. There again one would have to consider whether there ought not to be certain conditions—before a bounty was granted—as to the accessibility of the patent process on reasonable terms to manufacturers. We should be very glad to hear what you have to say on behalf of the India Paper Pulp Company as regards these two points.

Sir Thomas Catto.—I would like to thank you for giving me the opportunity, because I can assure you we would have no objection to any reasonable conditions being inserted in regard to Indian co-operation. In all our companies we have Indian shareholders, more Indian shareholders than European shareholders, and we manage 70 or 80 industrial companies. It is a tradition of our firm to have Indian co-operation in all the companies that we manage. All our companies are Indian rupee companies. In the India Paper Pulp Company the same tradition will be followed, and any reasonable stipulation that might be inserted would be perfectly agreeable to us, in regard to Indian co-operation. The India Paper Pulp Company is at present a private company simply because of the difficulties of making it a success. Had it been a success financially, the company would have been converted into a public company, and shares would have been offered to the public in India. The only reason this has not been done so far is because it was not sufficiently a financial success for us to wish to attract Indian capital. The present capital of the company is so constituted that a part of it is unissued and ready to be issued at any time when we feel the results of the company are such that we can offer to Indian investors an attractive and reasonably safe investment.

Mr. Ginwala.—It is not merely a question of having Indian shareholders. It is a question of Indians having a share in what is called the higher management of the Company. May I take it that in your other concerns you have Indians on the Board of Directors?

Sir Thomas Catto.—Yes. Practically in all our companies we have Indian Directors.

Mr. Ginwala.—I hope that you have not the same Indians on all the companies. In Bombay you will find a dozen or more men supplying the whole directorate to many companies.

Sir Thomas Catto.—I admit that your criticism is a justifiable one. The same thing happens in England.

Mr. Ginwala.—There the position is somewhat different. Here you have one or two Indians, and the tendency is to place them on the directorate of as many companies as possible. It does not make the companies Indian in the sense in which the Assembly requires it.

Sir Thomas Catto.—May I point out that it is the shareholders who appoint the Directors.

Mr. Ginwala.—I am very sorry that on this side the shareholders sometimes happen to be individuals who do not take enough interest in the appointment of Directors, though sometimes they have their own Directors. So far as the other side of India is concerned the position is different. Am I to understand that you would be willing to have on the Board of Directors sufficient representation of Indians?

Sir Thomas Catto.—Any reasonable stipulation in regard to that point would be satisfactory to us. It would depend on the amount of capital subscribed by Indians as well as Europeans. I would like to emphasise that, so far as the principle is concerned, we would have no objection. On the contrary we would encourage it.

Mr. Ginwala.—A committee has been appointed to go into the question and is called "The External Capital Committee." We do not know what the committee is going to do. So far as you are concerned, and so far as the proposals which may be made by this committee appear to you to be reasonable, you would be prepared to accept them?

Sir Thomas Catto.—Not only would we accept them but welcome them.

President.—What have you to say about the patent process?

Sir Thomas Catto.—In regard to that I would like to say that whilst our process is a patent process it does not mean that there are no other ways of accomplishing the same results except by our particular way of doing it. I think that our technical advisers are of opinion there are other ways of doing it. Supposing, for the sake of argument, our process was the only process by which bamboo could be converted into pulp, then I would say that it would be a perfectly reasonable and justifiable suggestion that some basis should be worked out whereby the patent rights would be open to others on reasonable terms.

President.—I think that if there were competing processes as good, or nearly as good, as yours then your terms would have to be reasonable or no one would use the process. You yourselves, as the India Paper Pulp Company, are not the holders of the patent, are you?

Sir Thomas Catto.—We bought the right to use it and we paid for it. I feel that if it was considered, as you put it, there was no other process as good as this, then the industry could not be allowed to stand still. Something would have to be done by which patent rights could be acquired and used by others. We would have no objection to that.

Mr. Ginwala.—Whose patent is it?

Sir Thomas Catto.—The Bamboo Paper Company, Limited, holds the rights practically all over the world. They spent a great deal of money in financing an expert for a number of years making investigations, and when the results of his experiments were successful they patented the process.

President.—Have you bought the rights for the whole of India or only to use it in your own factory?

Sir Thomas Catto.—Only to use it in our own factory or factories in India.

President.—Any new manufacturer who wished to use the process would have to obtain the license or purchase the rights from the manufacturers in England?

Sir Thomas Catto.—That is right. I would like to say that the people who are interested in this business are also considerably interested in the Bamboo Paper Company, Limited. Therefore, although I cannot commit them to anything, I can go so far as to say that we would have no objection and that we would try to influence the Bamboo Paper Company not to withhold the privileges from others unreasonably.

Mr. Ginwala.—This patent process, so far as you know, is not used by anybody else except yourself?

Sir Thomas Catto.—No. Our own experience has not yet been sufficiently attractive financially to make anybody else wish to use it, but it is a thoroughly successful practical process. From all technical points of view it is an absolute success as is shewn by the paper we are producing.

Mr. Kale.—Where were these experiments made?

Sir Thomas Catto.—They were made mainly in England.

Mr. Kale.—What was their ultimate idea? Where were the bamboos to be found and developed?

Sir Thomas Catto.—In a number of countries. The main country they had at that time in view was India, but of course bamboo grows in other parts of the world. I think it should be borne in mind that if the industry fails in this country one must not imagine that there would be the end. There is no doubt that the industry will be developed in other countries, for instance in Trinidad, where the cultivation of bamboos on a very large scale has been found exceedingly easy and where this industry could be developed.

Mr. Kale.—They had in view other fields also besides India?

Sir Thomas Catto.—Yes, but the main field that they had in view at the time when they made experiments was India. The experts who came out visited different parts of India and took various samples to England. Experiments extending over a number of years were made by an expert at Home, and he was able to develop the process to a practical basis. Our company has developed a little further. His work was largely experimental, and ours has been on a practical working basis. We found many difficulties which had to be solved as we went along.

Mr. Ginwala.—Did the man who hit on this process make experiments on the lines of other processes and say "those were no good. I have come to this process and I declare that it is the best process to apply." Did he, for instance, consider the soda process, which is Mr. Raitt's process, and which I believe is the process which the Titaghur people want to use in case they tackle bamboos? Did he give any definite opinion that the soda process was not as good as the sulphite process?

Sir Thomas Catto.—He did not. He worked on several lines which he thought were best and he obtained the results of his experiments. I don't think that he for a moment thinks that the same results could not be obtained in other ways.

Mr. Ginwala.—You adopted that process in preference to the other process because you happened to have connection with the industry?

Sir Thomas Catto.—No, the people who had the process approached us.

Mr. Kale.—It is not going to be a monopoly then, because there are other processes which will be open to others to use which may be more economical?

Sir Thomas Catto.—Absolutely. Our process is the product of one man who patented it. I don't think that he claims by any means that there are no other processes.

Continued on December 22nd.

President.—Assuming that there is no increase in consumption in India, what is the possible expansion of the market for Indian paper, that is to say, to what extent is it possible that Indian paper can displace imported paper?

Mr. Courtney.—We have not gone into the question of figures. We can answer for certain classes of paper if that is any good.

President.—It is rather this. When we were discussing in Simla all the three mills gave us to understand that there was plenty of room for expansion and so on. On examining the figures what we find is this. When you first of all eliminate mill-boards, card-boards, straw-boards, etc., it brings you down to 60,000 tons of imported paper. I am using the figures of 1923-24. Then there is 22,000 tons of old newspapers, which brings you down to 38,000 tons. Then there is 10,000 tons of newsprint, which brings you down to 28,000 tons. As far as one can judge, that is all the Indian manufacturers can get at all, but in view of the fact that the 28,000 tons must contain a good many miscellaneous items which are not likely to be made in India, the question really is how much of that 28,000 tons do you think that the Indian paper manufacturers can really capture?

Mr. Muir.—Is it quite just to take off the card-boards?

President.—Nobody has asked us to protect card-boards.

Mr. Muir.—I understood that there was a factory in Madras manufacturing card-boards.

President.—They have not asked for any protection.

Mr. Muir.—I also understood that the Rajahmundry mills had it as part of their programme.

President.—They said that they will make it, but they have not taken the trouble to say that they want them to be protected. If it is not worth asking for, it is not worth proposing it. At least we cannot take it for granted, we cannot assume a request that is not made. In any case I don't think that any of the Calcutta mills make card-boards to any appreciable extent.

Mr. Courtney.—No.

President.—The point really is this, if you put on a heavy protective duty, the natural effect is to encourage the establishment of paper mills. If the total market available for the newcomer is very small, it is preposterous to do so. Have you considered that point?

Mr. Courtney.—Not in tons! We feel that we could produce any writing paper needed in India, except paper made out of rags, art paper, etc.

President.—When you go into the question, it nearly always appears that there is a lot of miscellaneous items of various kinds which have got to be considered, and their total consumption may be far from negligible.

Mr. Courtney.—The amount of any one speciality imported into India would not probably warrant putting in a machine.

Mr. Muir.—It is probable that the majority of these are not essential, that is to say, with the protective duty, the demand for those papers would turn to substitutes that can be manufactured without a great deal of trouble by the Indian mills.

President.—What conceivable justification is there to compel the consumer to buy a paper which is not suitable? Surely that is a very strong measure of protection.

Mr. Muir.—It is suitable.

President.—I don't quite see it myself. There is no proposal before the Board to protect all kinds of paper, irrespective of the fact whether they can be produced in the country or not.

Mr. Muir.—Take Art papers. The Indian mills can manufacture a good substitute. It would not pay them to manufacture genuine Art papers. Would it do any harm to the consumer if he were to use a substitute?

President.—I am sure it would. It is unjust. If you want to capture a market you must be able to manufacture what is wanted. Don't you think so? It is an extreme claim.

Mr. Muir.—If you are diverting the demand on to a completely new article, I quite agree, but I should not have thought so if the demand was merely likely to divert without any appreciable inconvenience to the consumer.

President.—Who is to judge? Let me put this to you. The best that you can turn out is imitation Art. What would be the difference in price between the real Art paper and imitation Art paper? The real Art paper costs 8d. or 9d. per lb. The consumer is prepared to pay twice as much. He thinks that it is worth paying 100 per cent. more. Can you on the face of it say that it is only a small inconvenience?

Mr. Muir.—It is not so much a question of the present difference. I think at the present time a certain amount of demand goes to the real Art paper and a certain amount to substitutes. It is not the measure of the price or the measure of the increased demand that gives the measure of the inconvenience.

President.—It comes to this. There are a number of people who regard only the real Art paper as suitable for their needs. They are prepared to pay just double the price of the substitute. That is the measure of the value they put on getting the real thing. It means that there is a very great difference from that point of view. I put the point to you so as to give you an opportunity to say if you have anything to say:

Mr. Muir.—We don't feel that the inconvenience would be very heavy. We don't feel that there would be any injustice done to the consumer of these papers by the imposition of an additional protective duty.

President.—Assuming certain general principles underlying the whole scheme of protection, would it be reasonable, for instance, if when dealing with steel we had raised the price of all the special steels, such as high carbon steel, alloy steel, etc.? Can we say that it is only small inconvenience? Who is in a position to judge? What I suggested to you was that, if the consumer is prepared to pay twice as much for the special article, that is an accurate measure of the value he places upon it.

Mr. Courtney.—Would there be any way of exempting any paper over a certain price?

President.—Did not we go over that ground? If we put in a uniform rate of duty on all printing and writing papers, it may come to 25 per cent. or whatever it is on the papers which you are actually manufacturing, but when you get up to higher values, the percentage automatically goes down.

Mr. Ginwala.—In any case it should be in the interests of manufacturers to confine themselves to those things which they manufacture. In course of time they may make superior kinds also. So long as you are not manufacturing them, and so long as there are no reasonable prospects of your manufacturing them, there is no reason why the consumer should be compelled to use the inferior article. What percentage of your production would amount to real Art paper or imitation Art paper? It cannot be very much.

Mr. Muir.—It is practically negligible now.

President.—Whenever the kind of paper which you don't manufacture is of high value, it automatically goes out of the protective scheme if the duty is uniform. That was done in the Board's proposals about steel wires last year. It amounted to 10 per cent. on the special wires, but it was a great deal higher on the ordinary wire. The advantage of an arrangement of this kind is that it does not inflict on the Customs Department the burden of having to try and discriminate between different sorts of a particular commodity, which is sometimes a very difficult thing to do.

Mr. Courtney.—It would do away with the existing tariff. There would be no tariff valuation.

Mr. Ginwala.—In the kinds of paper that are not likely to be manufactured at all, why should not there be tariff valuation?

Mr. Courtney.—The idea of a uniform rate, if it is high enough, would suit us very well.

Mr. Kale.—As this question arose out of the question of the extent of the market, is it your view that, if you could produce serviceable substitutes for some of the highly priced papers which are being imported to-day, there will be an increased demand for those papers, for example imitation Art. People in India who are attracted by comparatively low prices will be inclined to

use more of this imitation Art paper if it can be used as a substitute for the real Art paper and if the difference in price is sufficient to attract the consumer.

Mr. Courtney.—From our experience we find that the Indian consumer likes cheapness first, and so it would probably increase the demand for the imitation Art paper.

Mr. Kale.—Imitation Art paper is only one example. Even in the case of other classes of paper, the Indian paper might take the place of imported paper to some extent. In that way the market for your paper might expand. That is my point.

Mr. Courtney.—We consider it would.

President.—There is the question what are the kinds of paper which ought to be left out of any scheme of protection. In the note that I sent to you, there is a list of them, and the Calcutta Paper Traders Association have also gone into it fully in their representation. Do you make Super-calendered paper?

Mr. Courtney.—No. We should probably do so if we put in another machine.

President.—Is there difficulty in super-calendering in India? Is it more difficult in India than in any other country?

Mr. Courtney.—We have not had the practical experience, but we understand that it is not.

President.—The process is entirely mechanical?

Mr. Courtney.—Yes.

President.—It means an extra set of rollers through which you pass the paper?

Mr. Courtney.—That is all.

President.—You don't make poster paper I think?

Mr. Courtney.—We don't know what it is.

President.—It is rough on one side so as to make it more easily adhesive.

Mr. Courtney.—It cannot be made by us at present.

President.—It requires a special machine, and only one side of the paper is rolled.

Mr. Courtney.—Probably a one cylinder machine is used, or else two sheets are run together through a pair of rollers.

President.—Do you make Cartridge paper at present?

Mr. Richardson.—Yes.

President.—Do you consider that bamboo is a suitable material for that?

Mr. Richardson.—We have not made very much. It is really a new line.

President.—Have you made any for Government?

Mr. Richardson.—No.

President.—Take these miscellaneous papers. Chrome and Marble are of no interest to you, I suppose?

Mr. Courtney.—No.

President.—Tissue paper is not likely to be made in India?

Mr. Courtney.—It would need special machinery.

President.—The total demand is not likely to be large?

Mr. Courtney.—No.

President.—What about blue Match paper?

Mr. Courtney.—That is mechanical, I think.

President.—I am not certain about it. It is rather more expensive, I think, than newsprint.

Mr. Courtney.—It is a speciality.

President.—What they told us was that it was not made anywhere in the world except by the Norwegian mills. If it is not worth while for Germany

to make it, it is unlikely that it would be worth while for India. Do you make Gum paper?

Mr. Courtney.—I don't think that it can be made in this country on account of climate.

President.—Do you make wrapping paper out of bamboo?

Mr. Courtney.—Yes, that is, the wrapping paper that we use ourselves for reams. We don't make wrapping paper to any extent as is it not high enough in price.

President.—Do you consider that bamboo is a suitable material for making wrapping paper? There is this to be said. It might be unsuitable because the material does not possess certain qualities, or because it is too expensive.

Mr. Courtney.—The only reason is that it is too expensive.

President.—Wrapping paper, we are told, is made of jute, hemp and things of that kind. If that is so, it is no use using an expensive material. So, you are not particularly interested in it, so long as you confine yourself to bamboo?

Mr. Courtney.—No, nor could we make Kraft paper.

Mr. Ginwala.—I want to go into the question of the market for pulp. First take the domestic market. Is there a market for bamboo pulp in the country?

Mr. Muir.—I think that you have covered the whole market for pulp in India in your investigations. You have examined all the concerns who are probable consumers.

Mr. Ginwala.—There is a market for about 10,000 tons at present. The question is whether it would be worth while for anybody to start a purely bamboo pulp mill near the raw material for that market.

Mr. Muir.—I think that it would have to be done in co-operation or agreement with one of the existing paper mills.

Mr. Ginwala.—A new mill coming and manufacturing bamboo pulp and paper does not meet the case. It takes away something from the market for paper. We have just now been discussing the possible market for paper. If anybody else starts a paper mill to manufacture paper out of bamboo pulp, he takes away a portion of that market. But apart from that there is this 10,000 tons for which they use wood pulp. In your opinion would it be feasible for anybody to start a mill so that he might be able to capture the market?

Mr. Muir.—I think so. सत्यमेव जयते

Mr. Ginwala.—You assume two things. One is that the present grass mills will continue and the other is if there is no room for expansion in their case, they go. You cannot assume both propositions.

Mr. Muir.—Is your second assumption a fair one? Can't you assume instead that there will be a demand for bamboo pulp for certain classes of paper for which grass is not quite suitable?

Mr. Ginwala.—I am trying to consider what is the possible market at present for bamboo pulp. Leave alone the paper for the moment. You retain the market for 10,000 tons if paper is still manufactured out of grass. If the grass mills collapse, the market for 10,000 tons vanishes. There is also the possibility for grass mills to substitute for their wood pulp more grass pulp. Can we ignore that?

Mr. Muir.—I think we might. Any pulp mill so started would have to be started in co-operation with the existing mills.

Mr. Ginwala.—But the existing mills, anyhow two of them, have already got their concessions for additional grass for pulp?

Mr. Muir.—Yes.

Mr. Ginwala.—They would have to pay royalty on the grass licenses. In that case is such an agreement feasible from the point of view of the grass mills?

Mr. Muir.—It will have to be formed in this manner that the existing mills would say "our requirement of pulp is so much and it is advantageous to buy bamboo instead of wood pulp to such a quantity, and therefore we are prepared to buy so many thousand tons a year of bamboo pulp from you if you will start a pulp mill."

Mr. Ginwala.—My point is this, that they would buy bamboo pulp in place of wood pulp if they can get it at about the same price as wood pulp. Then they may also say 'Why should we buy bamboo pulp, we shall make additional grass pulp which may cost about the same'?

Mr. Muir.—At present the market is so limited that it is dangerous to start a fresh pulp mill, except in co-operation with the existing grass mills. The market, I say, is so limited that unless you are sure that the mills are willing to buy your pulp at a reasonable figure, it would be dangerous to start a mill at the present time.

Mr. Ginwala.—Let me put it to you in this way from the point of view of the grass mills. Supposing the grass mills continued, then they might very well say 'We have got licenses, we have got the grass fields, why should we go in for bamboo pulp? It is only a question of getting 10,000 tons more of pulp made out of grass'. Is there anything to prevent their doing so?

Mr. Muir.—The quality of the paper. At the present time wood pulp makes certain qualities of paper; if they find that they can manufacture these qualities from bamboo pulp which answers their purpose quite satisfactorily . . .

Mr. Ginwala.—That is to say, it may be assumed that they cannot manufacture entirely from grass the kinds of paper they are manufacturing now?

Mr. Muir.—Not so satisfactorily.

Mr. Courtney.—Also the substitution of grass pulp for wood pulp would probably raise the price of grass. We have heard from all the mills that they have got a fixed economic radius for obtaining grass; that would be against substituting their grass pulp for wood pulp.

Mr. Ginwala.—That is a matter of opinion. They told us that they expect to bring down the cost of their grass and that they may expect larger quantities.

President.—They told us that they intend to, and hope that they would use more grass and less wood. They quite definitely said that. Whether they will be able to carry out their intentions is another matter.

Mr. Ginwala.—In that case there is no further safe field for the expansion of the bamboo pulp industry, is there?

Mr. Muir.—Not inside India. But to revert to the question of price of grass pulp. Are there any other figures in support of the theory that the grass mills would be able to reduce the price of grass?

President.—They hope to do it as they develop their fields more fully.

Mr. Ginwala.—Is not the position somewhat like this? There may be room for expansion of one or the other, but there is not much room for the expansion of both simultaneously? That is to say, you have got to choose which one is to expand—whether it is to be bamboo or grass?

Mr. Muir.—Yes.

Mr. Ginwala.—Do you not agree with me that it would be a serious step for the country to decide that the paper industry should expand in one particular direction?

Mr. Muir.—That would be decided by the possibilities in that direction.

President.—But conceivably a protective scheme might favour one more than the other.

Mr. Muir.—But would not a protective scheme favour the one which, in the opinion of the Board, had the seeds of success and expansion in it?

President.—That is quite true.

Mr. Ginwala.—The position is this just now, that, so far as grass is concerned, it has been going on for 30 or 40 years and it has established itself up to a certain point, that is to say, it has got its own customers, it has got its own price and other things in its favour, and the position is more or less certain as to what grass can do as a raw material. Against this we have got bamboo. Of course your experiments have been very successful and you have produced paper that is considered good in its own kind. You have also shown that the costs are not very much heavier than they ought to be under present conditions. You have got to that stage, but can we take it for granted now that there is enough proof that bamboo has been successful and ought to replace grass? I am putting it to you from the outside point of view. If you were in our place, would you make up your mind that bamboo has so established itself that if grass is entirely replaced by bamboo, it would be no disadvantage to the country?

Mr. Muir.—I don't think we can answer that question. There are certain classes of work for which the country has got used to grass paper and there will be a consequent disadvantage if it disappears, but for the majority of classes of paper I think we can say it is an advantage.

Mr. Ginwala.—At what figure may we take the irreducible minimum of the grass market? We have assumed that there is a certain amount which may always be available to the grass paper. Can you tell us how much that is?

Mr. Muir.—I think there will always be a market and there will always be a possibility for grass in small quantities for mills manufacturing in positions favourable to the grass fields. With the development of the bamboo industry, however, except to a small extent, which it is very difficult to put a figure on, I think bamboo paper will be able to replace grass paper, both economically and practically, without disadvantage to the country, and will give better results.

Mr. Ginwala.—In your opinion the position of bamboo is so well established that more or less the country may choose for bamboo and leave grass to its fate. That is what it amounts to, does it not?

Mr. Muir.—I think it would be no disadvantage to the country to replace grass paper by bamboo paper.

President.—So far as you are concerned you would advise the Board to go in for bamboo?

Mr. Muir.—If we could presume to advise the Board that would be our opinion!

President.—Supposing the Board did come to that opinion, practically the only way in which that can be done is by bounties. The decision once taken is irrevocable, because the effect of the bounty must be that, in the course of a few years more, bamboo factories would spring up and would undercut the grass behind whatever tariff there may be, and eventually you are artificially, so to speak, destroying the manufacture of paper from grass, unless the manufacture of paper from bamboo turns out to be more expensive than it is at present. If you give a big bounty that would be the natural consequence. Assuming that the production increases, they will begin to cut the prices to oust the grass people. It is for that reason that Mr. Ginwala is putting all these questions to you. That is rather a serious situation. It means that Government is subsidizing the paper-makers who use bamboo and enabling them to undercut those who use grass. It is not a question of an individual firm at all. I thought it worth mentioning that and I would like to know whether you have any comments to make.

Mr. Muir.—I don't think we have any comments to make, except that we believe that such a course as you suggest would direct the existing mills' attention to the development of paper manufacture from bamboo. We believe that, if their attention is so directed, it would be to their advantage and to the advantage of the manufacture of paper in India and to the consumer.

President.—Don't you rather think that, if the proposals were made in that way, in all probability the manufacture of paper from grass would cease altogether?

Mr. Courtney.—Except in cases where the mills are near the grass fields.

President.—They might. Lucknow is not so very far away.

Mr. Ginwala.—On the other hand, if you look at it this way, that we treat bamboo and grass alike and we put a duty on paper. Then that duty must be so fixed that it enables the present grass mills, as also the bamboo mill treated as an infant industry, to continue. In the latter case the amount of duty that is to be fixed would be much more than the grass mills would require, is it not so?

Mr. Courtney.—I don't quite follow why the amount of duty should be higher to protect the bamboo industry.

Mr. Ginwala.—As an infant industry. At the beginning the 'all-in' cost must necessarily be higher than the estimated future cost. If there is no question of bounty but merely duty, then the duty must be so fixed that the weaker of the two is allowed to live, and in that case the duty will have to be considerably higher than the grass mills would require at present. If, on the other hand, we fixed a tariff at such a rate that the grass mills can live . . .

Mr. Muir.—The petition for protection is more or less the same in both cases.

Mr. Ginwala.—But the results are different, because the costs are different at different stages. You must take the cost at one particular moment in both cases. If we take your present-day cost and the present-day grass mill cost, then the tariff has to be higher than the grass mills would require. In that case what do you do? You enable other grass mills to come in because they get more protection than is needed.

Mr. Muir.—Are not the works costs at the present time of our mill, less than those of the grass mills? The reason why our 'all-in' costs are higher is because we are a fresh mill as compared with ~~old~~ ones. It is a question of our depreciation, interest and so on, so that the question of new grass mills starting will not arise.

President.—What you mean is that starting and working on full commercial scale you believe that the all-in cost of manufacture of paper from bamboo is less than the all-in cost of manufacture of paper from grass?

Mr. Ginwala.—Supposing we put you on an equal footing just now, what happens to the industry in the long run? Is it your contention that your costs will go down?

Mr. Muir.—Yes.

Mr. Ginwala.—Whereas the grass cost will not go down in the same proportion? In that case a man would say "I am going to start a bamboo paper mill. My costs will always be less than the cost of the grass paper". He will come in and push out the grass mill in the long run. So that if bamboo is the material to be encouraged whatever happens, it would tend to push grass out.

Mr. Muir.—To a certain extent.

President.—If it is economically possible for grass mills to compete with bamboo mills they would, provided there is equality of treatment.

Mr. Ginwala.—But in every other case eventually it must result in the elimination of grass.

Mr. Muir.—I think so.

Mr. Ginwala.—So that on these facts it is not possible to save the grass manufacture at all. If there is a bounty and special consideration is given to bamboo pulp, then it may expedite the process. If, on the other hand, they are put on a footing of equality, then eventually the same result would follow, though it would take a longer time.

President.—The second thing can only be a question of opinion but the other must be a certainty.

Mr. Ginwala.—Quite. If your estimates are realised and also the estimates of the grass people are realised as accurate, then bamboo proving the cheaper material of the two must eventually displace grass?

Mr. Muir.—We believe so, though of course, as the President said, it is only a matter of opinion whereas the other thing is more than that.

President.—You are putting a lever which must oust the grass, so to speak. That is an awkward predicament for the industry, is it not?

Mr. Muir.—We believe that the grass industry will actually continue by diverting its attention to bamboo.

President.—It cannot do that in a day. There must be an intermediate stage when they have got to change over from grass to bamboo. Supposing we assume that their contention is correct that, unless they get some assistance, they cannot carry on. What do you suggest should be done in the meanwhile to allow the grass industry to continue and to change over from grass to bamboo?

Mr. Muir.—I am talking purely on the supposition that the Board's idea would be to recommend a bounty on pulp manufactured from bamboo.

President.—Then you suggest that, if our forecasts are established, then the other manufacturers must change from grass to bamboo? That presupposes a transitional period.

Mr. Muir.—But in the meantime, if you place us on a footing of equality, it either presupposes a bounty on all paper manufactured, whether from grass or bamboo, or an import duty. In that case during the transitional period the grass mills will have the benefit of such bounty or duty while changing over.

President.—So to speak it, will automatically adjust itself?

Mr. Muir.—That would be protecting in some form or other paper as a whole without expressing an opinion as to which direction it would take, and leaving it to the ordinary economic laws.

Mr. Ginwala.—We cannot go further because nobody can say in what direction the industries may develop.

Now, with regard to the foreign market you have given us figures which suggest that it may be possible for you to find a foreign market for bamboo pulp. But if so, the question of bounties being given to encourage export raises a difficulty. A bounty-fed article is not looked upon with favour in many countries. In that case if they put an 'anti-dumping' duty on your bamboo pulp where are you? Take the case of South Australia and such other places. Australia has given a sort of Imperial Preference to Great Britain. It has also entered into an arrangement with Canada, which is a pulp-manufacturing country, and apparently Canada may get very nearly the same thing as Great Britain. You have to compete against Canada, and at once Canada says "this is a bounty-fed article, put on an anti-dumping duty on Indian pulp."

President.—They have put an 'anti-dumping' duty on pig iron and cricket balls.

Mr. Muir.—Is it not possible for the Indian-made goods to come under the Imperial umbrella, so to speak?

President.—That is not a question, I am afraid, the Board can go into at all. In that case the idea of a foreign market, if it has to be developed by means of bounties, is a very doubtful proposition, knowing the views of foreign countries about bounty-fed articles.

Mr. Muir.—I think you have cited rather a particular case. It seems to me possible that countries which have natural resources for pulp making in their own shores might endeavour to protect and foster such industries, but there are a number of countries which, as far as we know, have not got these resources, and it seems to me that there is no reason to suppose

they should discriminate against India any more than they would against other countries. Indeed some may well welcome the import of pulp to develop the industry of manufacturing paper therefrom.

Mr. Ginwala.—You are thinking of the countries far East. But as far as these are concerned, bamboo is not a monopoly of India. Even in China and other places they have a large quantity of bamboo.

Mr. Muir.—Yes, also in Japan, and the Malay States and the Straits Settlements.

Mr. Ginwala.—It is a question of Imperial Preference and aversion to bounty-fed articles manufactured in other countries. Therefore the only thing that you can do is to base your claim, so to say, on being able to export bamboo pulp on the reduction of your costs.

Mr. Muir.—From Appendix II it appears likely that we could do so.

Mr. Ginwala.—According to that, so far as the export of bamboo pulp is concerned may it be done without any bounty?

Mr. Muir.—Ultimately. But you have alluded to Canada. We have in Appendix II compared our works costs with those of Norway. We have been given to understand that Canada and the United States of America, which are very large pulp-manufacturing countries, are themselves importing Norwegian pulp, finding it cheaper than manufacturing it for themselves. In Appendix II our works costs compare not unfavourably with the Norwegian costs.

Mr. Ginwala.—Have you got any book from which we can find what the requirements of these different countries in the matter of pulp are?

Mr. Muir.—We have not been able to get any information to that effect.

Mr. Ginwala.—I am trying to find some literature.

Mr. Kale.—It has been suggested that if a bounty were to be given for the manufacture of bamboo pulp, that industry would compete unfairly with the grass mills, but in the initial stages of the manufacture of bamboo pulp the cost will be higher and there are that industry will not be in a position to cut prices.

Mr. Muir.—Do not Forms I to IV, which we gave in our original answers to the questionnaire, help to answer this question to some extent?

Mr. Kale.—My point is this. Is it not an answer to the question raised or likely to be raised by the grass mills that 'the bounty given for the manufacture of bamboo pulp will be a disadvantage to them, inasmuch as the bamboo mill will undersell the grass mills,' that as the initial costs of the bamboo manufacture will be higher, the bamboo mill will not be in a position for the first three to five years to undersell the grass mills?

Mr. Muir.—I think the works cost of the bamboo mills are even at the present time (I am speaking without the book) lower than the costs of the grass mills. It is only due to the fact that the bamboo has not had the advantages enjoyed by the grass mills during the period of prosperity that their overhead expenses are so much higher.

Mr. Kale.—And that is why any proposals for a bounty to be given to a bamboo manufacturer can be entertained at all! Were it not for that fact, there would be no case for any special treatment of the bamboo pulp manufacturer. Is it now an established fact that bamboo pulp can be substituted for imported wood pulp for all purposes?

Mr. Muir.—We say that there is no doubt about that at all. We sold to the Bengal Paper Mills several hundred tons when we first started. I understand that they will support the statement which we are making.

Mr. Kale.—I want your general opinion about that. Do you think that the bamboo pulp will be a substitute for the imported pulp?

Mr. Muir.—Emphatically.

Mr. Kale.—You yourself use some imported wood pulp to mix with your own pulp?

Mr. Muir.—We alluded to that in the question which came up in the original evidence. It is because in the original lay-out of our plant (which was an experimental one) that the capacity of the digesters was somewhat over-estimated.

Mr. Kale.—That is an accidental circumstance?

Mr. Muir.—Entirely.

Mr. Kale.—It has nothing to do with the quality of the pulp or the possibilities of that pulp?

Mr. Muir.—No.

President.—We want to understand exactly what price you think the new duty will give you. Take white printing. The tariff valuation is 4-3 pies, that is to say, 51 pies and the duty is 15 per cent. on that. That is practically $7\frac{1}{2}$ pies. If the duty is raised to 25 per cent. it becomes $12\frac{1}{2}$ pies. Again if the correction is made for the difference between 1s. 4d. and 1s. 6d. exchange it means that the imported paper would be coming in $5\frac{1}{2}$ pies cheaper. That assumes the tariff value of 51 pies is in fact the actual price. That means that instead of $7\frac{1}{2}$ pies the duty would be 18 pies. Similarly other kinds of paper will get corresponding increases, but taking first of all the average price that you get for all the papers that you sell, what would you expect to get if the duty were to increase to the extent suggested? You want in the first place 25 per cent. duty. You want that percentage calculated in the same way, not on the c.i.f. price, but on a higher figure determined in the same way as the tariff valuation is?

Mr. Courtney.—Yes.

President.—Also I understand you want the correction to be made for the exchange?

Mr. Courtney.—Yes.

President.—That of course would be made on the c.i.f. price. The actual calculation would have to be made on the paper actually coming in at so much sterling. You add the difference between 1s. 4d. and 1s. 6d. to your duty, that is in substance what you want. What price does it give you?

Mr. Muir.—You want the figures in sterling?

President.—I take it that you must, as a businessman, when you ask for a particular duty estimate that it must enable you to realise a certain price?

Mr. Muir.—It would be just over annas 5 a lb.

President.—We must get clear as to what 5 annas means. Is it f.o.r. works?

Mr. Muir.—That is net.

Mr. Ginwala.—Is it at the Calcutta office or at the works?

Mr. Muir.—Is that not given in the evidence?

Mr. Ginwala.—What is to be added to your works cost? The all-in cost included all overhead charges except possibly selling charges. There is the selling charge to come in. Certain percentage goes on to that. Having added these it is either gross or net. Whenever a price is mentioned one wants to know which it is. What exactly does this As. 5 means?

Mr. Muir.—That is net, free on rail with no discount or any further deductions. That covers the cost of our selling office organisation at Calcutta.

President.—Does that include brokerage and Banian's fee?

Mr. Courtney.—No.

President.—Starting with 5 annas, what would you add to that to get to the gross?

Mr. Courtney.—We should add the freight and the Banian's commission. The average is 2 pies a lb.

President.—In addition to the 5 annas 2 pies, 5 per cent. will have to be added to that, if you want to get your gross price.

Mr. Ginwala.—You have given these charges in the statement that I called for. You add Rs. 7 for miscellaneous, Rs. 5 getting to Calcutta and handling charges, and Rs. 22·2 being your brokerage and Banian's commission at 3 per cent. on Rs. 740 per ton. May we take these figures as correct?

Mr. Courtney.—I don't quite understand.

Mr. Ginwala.—You yourself have given f.o.r. mills Rs. 711·9 To that you have to add three items Rs. 7, Rs. 5, and Rs. 22·2, that makes Rs. 34·2.

Mr. Courtney.—The figure Rs. 20 for freight is for all over the country.

Mr. Ginwala.—The other figure is Rs. 7+20+15, i.e., Rs. 42.

Mr. Muir.—We have made out our all-in cost as Rs. 753.

President.—I think it is fairly clear and it is based on the statement you have prepared for Mr. Ginwala. That is practically the justification of it, so to speak.

Mr. Courtney.—Yes.

President.—Apart from the justification I want you to show me as far as you can how you are likely to get that price if the duty were imposed. That is to say, now you have got to look at it from the point of view of the imported paper. How will the duty operate to give you that? That is the point. Perhaps I had better ask you one or two questions about one of these statements. Look at the statement showing the average price before deducting selling charges and freight. There is no commission in this? There is no dealer's discount?

Mr. Muir.—No.

President.—There is about 2 or 3 pies to come off?

Mr. Muir.—Just about 2 pies or Rs. 20 a ton for the freight, and if we divide the Banian's commission by our total tonnage sold, it is Rs. 3 to Rs. 4. On the whole it comes to Rs. 24.

President.—What you actually realise is about As. 3-10 in the half year ending September?

Mr. Muir.—Yes, f.o.r. mill.

President.—You have given us figures, and also one of the other mills has given very detailed figures, for the price of imported paper. Take the ordinary printing paper. Can you show us the price from the actual figures? Probably it is coming in at £28. That is quoted for a Government order. Perhaps £29 would be a fair all round figure to take?

Mr. Courtney.—£29 would be fair.

President.—£29 would be equal to Rs. 387 at 1s. 6d. You have got to get up to Rs. 700. You want to add Rs. 313. How is that practically going to work?

Mr. Muir.—Importers' additional charges.

President.—What additions do you consider must be made to the c.i.f. price in order to find out what the importer will take to himself before he sells his paper. 18 pies would be Rs. 210 a ton, that is for duty. That takes you up to Rs. 597. Still you have got Rs. 103 to go. It is one thing to say we want this duty in order to get the price. Must you not satisfy us that it enables you to get it?

Mr. Muir.—At present the prices are at 1s. 6d.

President.—If the rate of duty is fixed at 25 per cent., the duty would be 12½ pies per lb. I have added on another 5½ pies to correct the exchange which is excessive, because I have done it on the tariff valuation and not on the c.i.f. price. As a matter of fact, taking it on the c.i.f. price it would be Rs. 40. The exchange correction on the c.i.f. price, expressed in rupees, is only Rs. 43?

Mr. Courtney.—Yes.

Mr. Ginwala.—It is no use sticking to a position which cannot be substantiated. If it can't be done it is very much simpler to say that

the duty must be sufficiently high to enable you to get As. 5 a lb. All the figures you have given us do not suggest that that would be the result. Is it not better to say there is something wrong there?

Mr. Muir.—All the figures we have given you in our subsidiary answers are so far based on the supposition that we have got to a stage of production beyond what can be achieved by our plant as it is at present constituted.

President.—We are not on the justification of the claim. We are still on the primary point of ascertaining exactly what it is. Whether you ought to get it is another matter. What I am trying to get at just now is that elementary point. I want to find out what price you actually think that duty will give you, irrespective of whether you get it or not. It is purely the mechanism of the thing I am at. Clearly you must be better acquainted with the circumstances of the paper trade than we are. What are you actually getting for your 'printings' just now?

Mr. Courtney.—Our last figure, which is net to us, is 3-87 annas. That is at the beginning of this month.

President.—That would be equivalent to Rs. 542 a ton?

Mr. Courtney.—Yes.

President.—The price of imported paper, if we take £29, is Rs. 387. The duty is roughly $\frac{1}{4}$ ths of Rs. 140, which is close on Rs. 90 a ton. The duty-paid c.i.f. price of the imported paper is Rs. 477. You are getting Rs. 542. There is a difference of Rs. 65. Six pies per lb. goes, for one reason or another, in the shape of landing charges and everything that the importer has to pay, including of course his profit. That gives you an approximate figure for the addition that has to be made to the c.i.f. price in order to arrive at the internal price.

Mr. Muir.—Yes.

President.—Let us take it in round figures. The duty you have asked for is approximately Rs. 200 a ton. If you add Rs. 387 to Rs. 265, you will actually get Rs. 652.

Mr. Muir.—If the duty is calculated on the market rate you would have to add duty on Rs. 65.

President.—That is merely correction for the exchange. Nothing but the c.i.f. price can be affected by the exchange.

Mr. Muir.—I agree.

President.—Do you agree that it is a reasonable approximate estimate of how things are likely to operate?

Mr. Muir.—Yes.

President.—Are you sticking to Rs. 652 or are you revising your original claim?

Mr. Muir.—It does not allow us a full return on our present mill.

President.—Still it is open to question whether you can legitimately claim that the public shall bear the whole burden.

Mr. Muir.—That is our point. We consider that as a legitimate claim, and to increase our claim would not be legitimate for that reason.

President.—You stick to 25 per cent. *plus* the correction for exchange?

Mr. Muir.—Yes.

President.—Although it does not give you the full amount, although it does not cover all the charges that you have got to meet on your present limited scale of production, you think that it is reasonable to limit your claim in that way on the ground that it is not fair to ask the public to bear the whole burden?

Mr. Muir.—That is correct.

President.—On the statement of your works cost, your expenditure on purchased pulp has gone up, and on bamboo it has gone down, for the half year ending September.

Mr. Courtney.—Yes.

President.—Is that simply in order to get the maximum output?

Mr. Courtney.—It is also due to the fact that we were using bad coal. We were also experimenting on various different qualities of bamboo, and some of the experiments fell under that period.

President.—For the year ending March 1924 the cost of purchased unbleached pulp was Rs. 40.4, for the half year ending March 1924, Rs. 49, and for the half year ending September 1924 Rs. 80.

Mr. Courtney.—Those were the two main causes. We had very bad coal and we could not keep up steam. We also were using a lot of inferior bamboos.

President.—The expenditure on purchased pulp and bamboo is higher by Rs. 14 than it was in the previous year.

Mr. Courtney.—Yes.

Mr. Ginwala.—According to the revised statement showing the cost per ton, on your present output, there is practically little or no difference between the price that you ought to get in Calcutta and up-country. There is a difference of only Rs. 7 per ton and there is a footnote to the effect that you don't claim any different price for Calcutta than you do for the up-country market. Is that a correct statement of the case?

Mr. Richardson.—As a matter of fact we have got slightly more up-country than what we have got in Calcutta. Our average price shows that we have done so in the past.

Mr. Ginwala.—Therefore, if we take the Calcutta f.o.r. price that you think you ought to get, we need not make any additional allowance for up-country?

Mr. Richardson.—No.

Mr. Ginwala.—The higher price you get will probably be set off by the extra charges that you have to incur?

Mr. Richardson.—Yes.

Mr. Ginwala.—With regard to depreciation, have you taken the book value of the block or its actual value to-day?

Mr. Muir.—No. We took off the estimated cost of the extra machine from our estimate on page 5 of our subsidiary answers.

Mr. Ginwala.—Your block value is about Rs. 34 lakhs altogether?

Mr. Muir.—It is Rs. 36.57 lakhs. It includes patent rights Rs. 3,80,000, land, etc., one lakh, and miscellaneous one lakh. Roughly there is Rs. 31 lakhs on which depreciation could be charged.

Mr. Ginwala.—There is one modification. That is not the replacement value of this block?

Mr. Muir.—It is the replacement value.

Mr. Ginwala.—With regard to the whole block?

Mr. Muir.—No, we estimated replacement cost of a similar mill at present prices. The original cost was Rs. 46.66 lakhs.

Mr. Ginwala.—Does this Rs. 31 lakhs represent the written-down reduced price?

Mr. Muir.—Yes. The original cost of the present mill was Rs. 46.66 lakhs. The estimated replacement cost is Rs. 36.57 lakhs. The figure we have taken for depreciation is Rs. 31 lakhs. We have eliminated the siding, the patent rights and the land. That is what you wanted.

Mr. Ginwala.—There is depreciation in the value of a little more than 14 lakhs in this figure?

Mr. Muir.—Yes. As we discussed the other day, the figure does not make any allowance for interest during erection or on experimental work.

Mr. Ginwala.—You will perhaps prepare a statement when you are correcting your evidence, giving us your "all-in" cost and the selling price estimated on the same footing as this statement.

President.—What *Mr. Ginwala* wants is a revised edition of Appendix No. I and the supplementary memorandum to be prepared in exactly the same form as the new statement which you have tendered. Capital would be Rs. 45 lakhs instead of Rs. 33 lakhs. The works cost would be works cost as in Appendix No. I.

Mr. Muir.—We will have that prepared.*

Mr. Ginwala.—As regards the reduction in cost shown in Statement I, of about Rs. 15, is it rather due to using more of your own pulp than the actual reduction in your other costs?

Mr. Muir.—I think that it is due to increased production and possibly to some improvements.

Mr. Ginwala.—Take the first three items.

Mr. Muir.—You cannot take it like that.

Mr. Ginwala.—If your cost of pulp has gone up, it shews that you are using more pulp. For that reason the auxiliary raw materials must be less. I want to see where the saving comes in.

President.—In the same statement for the year ending March 1923, the cost of packing and miscellaneous charges was Rs. 13·3 and now it has gone up to Rs. 29. Why should there be a big jump upwards?

Mr. Courtney.—We had to change our method of keeping costs. We have previously taken the wrapping as part of our production, free of charge and now we sell it to ourselves.

President.—That would slightly decrease the total average price that you get for your paper?

Mr. Courtney.—Yes.

President.—What is the price you charge?

Mr. Courtney.—2 annas 9 pies.

Mr. Ginwala.—In the previous accounts how did you show that?

Mr. Muir.—It came off the production.

Mr. Ginwala.—So far as these costs are concerned there is more saving than these figures show?

Mr. Muir.—Yes.

Mr. Ginwala.—If you take the same figures as before. *viz.*, Rs. 7·0 for packing and Rs. 6·3 for miscellaneous instead of Rs. 20 and Rs. 9, they are reduced by Rs. 16 more. This is not a real comparison if you have changed your system.

Mr. Courtney.—No. But the figures could be substantiated because they have come from our actual costs.

Mr. Ginwala.—What we wanted to know was the improvement in costs. Now I suggest that the comparison is not real. Would you put in a note explaining the reasons why you have changed your system?

Mr. Muir.—We will do so.†

Mr. Ginwala.—On stores and repairs why should there be a big drop? Is it due to the output having gone up? I suppose that is the explanation.

Mr. Muir.—Yes.

* Statement X, Enclosure IV.

† See Statement X, Enclosure I.

Witness No. 6.

THE DECCAN PAPER MILLS COMPANY, LIMITED.

A.—WRITTEN.

Statement 1.—Replies to questionnaire received from Mr. F. D. Pudumjee on behalf of the Deccan Paper Mills Company, Limited, dated the 21st July 1924.

The Deccan Paper Mills Company, Limited, was established in the year 1885. I have been asked by the Board of Directors of the Company to represent it before the Tariff Board. I was managing the mills for many years and I am still connected with it. I, therefore, have the honour to make the following representation on their behalf.

REPLIES TO QUESTIONNAIRE.

I. INTRODUCTORY.

1. Our firm was established in the year 1885 as a public registered Company with a capital of 5 lakhs. The whole of the capital invested is owned by Indians, the Directors are Indians, and the entire management is in the hands of Indians.

3. Our mill is meant to manufacture paper only, and commenced to manufacture by the end of the year 1887.

5. The full capacity of the mill as at present equipped is about 1,700 tons per year.

6. The actual output of the mill for each year since 1905 is as follows:—

	Tons.
1905-06	691
1906-07	918
1907-08	1,157
1908-09	1,124
1909-10	1,316
1910-11	1,170
1911-12	910
1912-13	1,010
1913-14	1,120
1914-15	825
1915-16	736
1916-17	536
1917-18	501
1918-19	480

7. Our mill is situated at Mundhwa adjoining the Hadapsar Railway Station about 5 miles from Poona, and about 124 miles by rail from Bombay which is our important market, and from where our principle raw materials are drawn.

Considerations which governed the selection of the site were, vicinity to the centres which supplied the principle raw materials, vicinity to an important market, abundant supply of clean water, outlet for the waste water to the adjoining cultivators who paid for it, abundant and cheap labour supply, and vicinity to the G. I. P. Railway. Coal, however, has had to be drawn from the Central Provinces, Hyderabad, Deccan or Bengal.

8. We manufacture various kinds of paper such as ledger and azure laid, superior and ordinary white writings, and printings, coloured papers, badami printings, white and brown cartridge, and wrappings. The percentage of the total output which each kind represents is given roughly as follows:—

Up to 1913-14.—Azure laid, writing wove, and cream laid 51 per cent.; white printing 31 per cent.; coloured printing 4 per cent.; white cartridge and badami 3 per cent.; brown 11 per cent.

Since 1914.—Azure laid and cream laid 15 per cent.; white printing 34 per cent.; badami printing 39 per cent.; coloured printing 2 per cent.; brown 10 per cent.

9. The principle trade classifications of paper may be given as:—Hand-made and ledger papers, writing and bond paper, printing paper, badami paper, wrapping and packing paper, news printing paper, blotting paper, tissue paper, etc. In view of the raw materials obtainable in India and the Indian demand, we should say that the classes of paper for which the conditions are most favourable are ledger, superior and ordinary writing and printing papers, and wrapping papers.

10. We manufacture a larger variety of paper than a single manufacturer in Western countries commonly does because the prevailing conditions do not lend themselves to the economic manufacture of a standard grade of news printings, and the market for the better grades demands a large amount of specialization. In having to make different grades and specialities we are at a disadvantage inasmuch as the constant change-over from one quality to another entails a certain loss of materials, restricts production, involves a large percentage of "Broke and Retree," and the product cannot be expected to come up quite to the standard of those who have specialized in their own particular line. Further, it necessitates the handling of large stocks of various kinds of raw materials and large stocks of various kinds of finished papers.

II. RAW MATERIALS.

12. Our primary raw materials are rags, gunny, waste paper and imported chemical pulp. For the output of about 1,100 tons the annual requirements of the primary raw materials are as follows depending upon the quality and kinds of paper made during the year:—

Rags 600 to 1,000 tons.

Imported pulp 400 to 700 tons.

Gunny, hems.

Old ropes, and Manilla, etc., 70 to 100 tons.

Waste paper 90 to 100 tons.

- For an output equivalent to the full capacity of the mill the requirements would have been:—

Rags 900 to 1,600 tons.

Pulp 600 to 1,100 tons.

Gunny, etc., 100 to 150 tons.

Waste paper 130 to 150 tons.

14. The rags are of a quality which after sorting, dusting and cutting, yields on the average 60 per cent. of bleached paper. The waste in sorting, dusting and cutting amounts to 12 per cent. to 18 per cent. depending upon the quality. On the average, therefore, 1 ton of rags produces $\frac{1}{2}$ a ton of white paper.

The yield on gunny is about 60 per cent. of brown paper.

16. If the area of collection is slightly extended, more than 2,000 tons of rags can be collected in this province.

17. The greater part of the rags used by us is collected in Bombay and supplied to us by our Contractor. It is carried from Bombay to our mill by rails, a distance of about 124 miles.

20. In 1913-14 the cost of rags was Rs. 40 to Rs. 90 per ton f.o.r. Bombay, and freight from Bombay to our mill amounted to Rs. 5 to Rs. 6 per ton (at wagon rates).

During the war there was no material difference in the price, but the quantity purchased was larger, and the rags were of much poorer quality. The railway freight, however, since the war has been increased and amounts to Rs. 8 to Rs. 9 per ton (at wagon rates).

The cost of white shavings in 1913 was Rs. 60 per ton f.o.r. Bombay.

22. The quality of rags has deteriorated since the war, but it is to be expected that when normal conditions are restored there will be an improvement both in the quality and quantity available in Bombay, side by side with the improvement in the condition of the working and the poorer classes.

24. We import chemical pulp to supplement the domestic supplies and to impart certain qualities to the finished paper which cannot be obtained by the use of the domestic supplies alone.

The cost of imported chemical pulp is as follows:—

During 1913-14—

Bleached sulphite pulp	£13-16 c.i.f. Bombay.
Bleached soda	£13-2 „ „
Unbleached sulphite	£10-10 „ „

The country of importation Norway and Sweden.

Loading, clearing charges	Rs 5 per ton.
Railway freight to the mill	Rs. 2-13 (at wagon rate).
Custom duty	Nil.

36. The chief auxiliary raw materials are, caustic soda, bleaching powder, sulphate of alumina, rosin, china clay, French chalk, ochres, and such consumable stores as wires, felts, jackets, knives, beater bars, belting, lubricants, etc.

37. The total requirements per year, and per ton of finished paper are as follows:—

Total requirements per year, average tons, about	Per cent. consumption.
Caustic soda 18	3 to 5% of rags used.
Bleaching powder 23	4 „ 5% „ „
Alumina Sulphate 29	2½ „ 3% of paper.
Rosin 26	2 „ 3% „
China clay 47	} 8 to 10% of finished paper.
French chalk 45	
Ochre 15	

As to the consumable stores, viz., wires, wet and dry felts, and couch jackets, the pre-war cost amounts to about Rs. 4 to Rs. 6 per ton of paper.

38. Of the chief auxiliary raw materials the following have been imported from abroad:—

Caustic, Bleach, Alumina Sulphate, and China clay.

And the following produced and purchased in India:—

Rosin, French chalk and Ochres.

The pre-war prices are as follows:—

	Country of origin.	CIFCI prices	Clearing charges.	Rail Freight to mill.	Custom duty.
Caustic	English	£13-6	Rs. 5 per ton.	Rs. 10 per ton.	5%
Bleach	Do. . . .	£8-16	Do.	Do.	"
Al. Sulphate	Do. . . .	£5-6	Do.	" 7-3 per ton.	"
Rosin (American through)	England)	£18-9	Do.	Do.	"
China clay	English	£3-10	Do.	Do.	"
French chalk	Do. . . .	£4-10	Do.	Do.	"

The present prices are:—

	Origin.	Price F. O. R. Bombay.	Rail freight to the mills.
Caustic	English	Rs. 480 per ton	Rs. 9-3-0 per ton.
Bleach	Do. . . .	" 320 " " "	" Do.
Al. Sulphate	Do. . . .	" 200 " " "	" 8-9-0 " "
China clay	Do. . . .	" 125 " " "	" Do.
Rosin	Indian	" 265 " " "	" Do.
French chalk	Do. . . .	" 95 " " "	" Do.
Ochres	Do. . . .	" 60 " " "	" Do.

39. Caustic soda and bleach, if the consumption is fairly large, can now be very economically manufactured by the paper mills themselves by electrolysis, provided an up-to-date power plant, as a suction gas or a Diesel motor, is installed.

Sulphate of Alumina can be made in India, thus utilizing large quantities of Bauxite or Cryolite available in India, and as a matter of fact samples have been already sent to us by a chemical firm in Bombay.

China clay is available in India, but the material so far offered to us is lacking in the plastic qualities and fineness which are found in the English China clays. It is to be expected however that, if the demand increases, the quality can be considerably improved to first meet the requirements of the paper-makers, by the introduction, for example, of the English methods of washing and levigation and then gradually reach the standard required by the cotton mills.

Rosin is produced by the Government factories in Punjab and has been found to be quite satisfactory for paper-making.

French chalk is produced in India in several grades. The first grade is especially fine and white, is cheaper than the foreign product, is even cheaper than the imported China clays, and is quite suitable for paper-making.

Ochres, both red and yellow, are available in India and are used in large quantities by the Indian mills and are cheaper than the corresponding foreign product.

Machine wires, steel knives and bars, woollen and cotton felts are at present not manufactured in India. We may say, however, that a woollen "wet"-felt was made by one of the Cawnpore mills for us during the war. The texture and quality seemed to be quite satisfactory, but the felt was not woven seamless or endless, and therefore it could not be worked through the press rolls without creasing at the joint. Cotton dry-felts were used during the war, made by the Bombay carpet or durree weavers, who were able to weave the ends together by an ingenious method which proved quite satisfactory in practical use.

III. LABOUR.

44. The process of paper manufacture requires much expert supervision and skilled labour, but no imported or European labourer or supervisor has for long since been employed in our mills. In course of time, with careful training, Indian labour has acquired sufficient skill to replace efficiently all imported workmen in our mill.

48. The total number of workmen employed were in 1913-14, 278.

49. The total wages bill for the year 1913-14 was Rs. 34,470.

The average wages for man in different classes have been as follows:—

Paper machine operators Rs. 0-12-6 to Rs. 0-7-6 per day.

Beater machine operators Rs. 0-9-6 to Rs. 0-7-0 per day.

Rag boiler operators Rs. 0-7-6 to Rs. 0-6-6 per day.

Rag chopper operators Rs. 0-7-6 to Rs. 0-6-6 per day.

Ordinary factory hands Rs. 0-5-6 per day.

In 1918-19 the average wages for man in different classes has been:—

Paper machine operators Rs. 1-0-0 to Rs. 0-13-0 per day.

Beater machine operators Rs. 0-13-0 to Rs. 0-11-0 per day.

Rag boiler operators Rs. 0-12-0 to Rs. 0-10-0 per day.

Rag chopper operators Rs. 0-12-0 to Rs. 0-10-0 per day.

Ordinary factory hands Rs. 0-8-0 per day.

The increase in the rates of wages has been gradual.

50. The whole of the labour required by us is drawn from the vicinity of the mill, and is sufficient. Chawls are provided for the workmen in our mill compound.

51. The Indian labourer is found to improve considerably with training. He soon gets used to any new work he is put to, and if he is given the opportunity, in course of time, he acquires sufficient skill to efficiently manage any particular machine, or process of manufacture, on which he is employed. But principally for want of primary education he is not expected to work with that intelligent understanding which is the characteristic of the Western workman, and for want of stamina his efficiency is lower, say in the proportion 2; 1 at least.

IV. POWER (INCLUDING FUEL).

53. The power is derived from steam, the fuel being coal.

56. The total consumption of coal amount to 3·4 tons per ton of paper produced in 1913-14.

Coal is obtained from the Central Provinces and Beugal.

57. In 1913-14 Bengal coal was used and cost Rs. 5-8-0 to Rs. 6-0-0 per ton at the Pits *plus* Rs. 11-1-0 railway freight to the Hadapsar station adjoining our mills, and the cartage to the mills about Rs. 0-4-0 per ton.

Since the war, Central Provinces coal costs Rs. 13-0-0 per ton pitsmouth and railway freight Rs. 9-7-0 per ton to our mills. Bengal coal cost Rs. 11-8-0 per ton pitsmouth and Rs. 16-13-0 rail freight to our mills.

V. MARKET.

60. The local Indian production of paper amounted to about 25,000 tons in normal times. During 1921 it had risen to about 32,000 tons.

The total Indian demand may be put down at 75,000 to 80,000 tons. It is possible that about 90 per cent. of the total demand can be made in India.

62. The consumption of paper in India is bound to expand rapidly in response to the growth of education. The fact stands that the average consumption of paper per head of the population in India is not one-sixteenth that obtained in any country in Europe and it strongly indicates how far an increase in the consumption is possible.

63. Our principle market for paper is Bombay which is about 124 miles by rail from our mills.

64. The Southern markets offer an advantage to us over the foreign importers inasmuch as the saving in freight from Bombay to Poona amounting at present to Rs. 9-3-0 per ton is in our favour. But their demand is limited to small quantities, and is for various kinds of paper.

66. Almost the bulk of the paper made in our mills since we commenced work up to 31st March 1924 was purchased by the Bombay Government.

The prices paid during the pre-war period were as follows:—

	Per lb.			
	Rs.	A.	P.	
Brown paper	0	1	10	} <i>plus</i> 55 per cent.
White printing	0	2	4½	
Cream laid	0	2	7	
Cream laid special	0	3	5	
Half bleached	0	2	4½	

During 1918 to 1924 the prices paid were as follows:—

	Rs. A. P.		
Brown paper	0	3	8
Badami	0	4	11½
White printing	0	5	5½
Cream laid	0	5	11½

During 1921-24 the prices paid for brown badami were the same, but for white printing and laid were 20 per cent. higher.

The prices received by us from the Government during the war were by no means the market prices then prevailing.

We were paid only 53 per cent. above the pre-war rates, whereas the market prices in several instances were more than 300 per cent. of the pre-war prices.

67. The paper manufactured by us is not consumed by newspapers, as our mill is not laid out for the economical manufacture of this kind of paper.

VI. FOREIGN COMPETITION.

73. The foreign countries from which competition in the Indian market is keenest are Scandinavia, Finland, Germany and Austria. The raw material used by them is principally chemical and mechanical pulp.

74. The competition is keenest in brown and wrappings, mechanical printings, and printing and writing papers which are not free from mechanical wood pulp.

76. The prices at which imported paper has entered the country are as follows:—

	1912 cifei.	1913 cifei.	1914 cifei.	Duty Charges.
White printing .	1½d. to 2½ per lb.	1¼d. to 2½ per lb.	1¾d. to 2¼ per lb.	5% Rs. 6 per ton.
Cream laid English.	2⅞d. per lb. .	2½d. per lb.	2½ to 2⅞d. per lb.	5% Rs. 6 per ton.
Brown . . .	10s. per cwt.	10½s. per cwt.	...	5% Rs. 6 per ton.
News printing .	1¼d. per lb.	1¼d. per lb.	1¼d. per lb.	5% Rs. 6 per ton.

	1921.	1922.	1923.	Duty.	Charges.
White Printing .	7½d. per lb.	3½ to 3¾d. per lb.	3½ to 3½d. per lb.	7½ pies per lb.	About Rs. 8 per ton.
Cream laid English.	5½d. per lb.	4¼d. per lb.	4¼d. per lb.	8⅞ pies per lb.	About Rs. 8 per ton.
Brown . . .	..	2½d. per lb.	1½d. per lb.	4½d. per lb.	About Rs. 8 per ton.

We also give below the pre-war prices and those current in England during 1922 and 1923 as gathered from the paper trade journals.

	Pre-war d. per lb.	1922. d. per lb.	1923. d. per lb.
News printing . . .	1¼	2½	2½
Common printing . .	1¼	3	2½
Second „ . . .	1½	3½	3
Fine „ . . .	2	4½	3½
Esparto „ . . .	2¼	4½	3½
Writing (containing mechanical pulp).	1½	3½	3
Writing seconds . . .	2	3½	3½
„ fine . . .	2¼	4½	3½
„ Esparto . . .	2½	5	4½

78. The quotation in the trade journals are a fair indication of the prices obtained in England, but without the corresponding samples they are of little value for business transactions.

The Indian paper trade is more or less based on the prices quoted on samples by the large importing firms.

79. We have every reason to suppose that the prices at which foreign producers sell for export to India are unremunerative. Owing to the general slump in the world's trade the British manufacturers are offering paper in the Indian market at prices which they openly assert are below cost. The position in England is to some extent reflected in the closing down of several mills, and in the reduction of the output of others. We quote the following passages from the British paper trade journals. "Papermakers, in every country appear to be in the same difficulty as that with which British manufacturers are concerned, namely, the problem of obtaining adequate prices for their paper. In many quarters the same complaint is made that costs of production exceed the prices at which papers can be sold, and it is quite remarkable to find such unanimity from every paper producing country on this point. British papermakers have for a long time asserted that they had been selling below cost of productions and unless prices are improved they must continue to do so." ("Paper Trade Review," 25th May 1923.)

"As for paper trade, 1923 was a bad year almost from every point of view. The makers of wrappings have had the worst time Printings and especially news print mills have been fairly busy, but at unremunerative prices The English, Scotch, and Irish papermakers are unanimous in pointing out that the stumbling block in the way of the real prosperity of the trade is the case with which the foreign paper is dumped into the country." ("Paper-making and Paper-selling," January 1924.)

"The year 1923, like its immediate predecessor, has been a period of hope deferred and anticipation disappointed. The dislocation of international commerce, brought about by four and-a-half years of warfare, is far from being remedied after 5 years of peace, and indeed, the condition of Mid-European countries, so far from improving has grown even worse during the last twelve months. Opinions differ as to the wisdom displayed by the French Government in occupying the Ruhr Territory, and it is not within the province of a trade journal to discuss questions of high politics; but the immediate sequel of that operation was undoubtedly evident in the rapid depreciation of German currency. During the year the German Mark has placed itself on a level with the Russian Rouble, both currencies alike having vanished from the sphere of tangible values. The immediate result of this was to facilitate the export from Germany of those manufactured articles the raw materials of which are produced within that country. Paper, of course, is an outstanding example of this class of goods, and, as will be seen from the Board of Trade Returns, the imports from Germany into the United Kingdom have shown a startling increase. In the case of wrapping papers particularly the figures are very high, and it is understood that many German News-Print Mills, deprived of their normal market by the extinction of a number of local newspapers, have transferred their activities to the production of wrappings, thus further inflating an already expanded output of this class of paper. The consequence has been the British wrapping mills have been running on short time, while increased quantities of foreign paper have landed on our shores. . . . Depending as it does on the general prosperity of commerce for its well-being, the paper-making industry in this country has suffered during the past year in sympathy with other trades.

. . . . The autumn months have seen the stoppage of a number of paper-making firms, and these events have had a further depressing effect on the industry. Mills are making every effort towards more economic working, and great advances are being made in efficiency, but, as already indicated, it is only a general revival in the country's commerce which can restore healthy conditions to the paper-making industry. The settlement of the vexed questions of European continental complications and the restora-

tion of depreciated currencies would mean a great advance towards healthier business conditions here, and this is the only remedy for paper trade depression." ("Paper Trade Review," 4th January 1924.)

81. It will be seen, therefore, that the general depression in the trade throughout the world, and the advantage taken in their depreciated currencies by large paper-making countries like Germany and Finland, are the principle reasons why foreign paper is dumped into an unprotected country like India. It stands to reason to believe, therefore, that this state of affairs must continue for a long time, and that until the complications created by the depreciated currency of one of the largest industrial countries is solved, and a healthier tone is restored to the world's commerce, prices of both raw and finished materials cannot reach on economic basis anywhere, and much less in India.

85. (a) As compared with the foreign manufacturers the Indian manufacturer is at a disadvantage as to the cost of plant and machinery inasmuch as he has to pay an additional freight to cover the distance from Europe to India, the railway freight from the port to the mill site, if the mill is situate at a distance from the landing port, the cartage, and the duty amounting to 2½ per cent. of the value of the machinery. The sea freight, including insurance, on a paper machine weighing over 140 tons at present amounts to approximately 5 per cent. of the price. Further, the cost of erection of machinery and plant will be higher in India if it is necessary to import expert labour. We do not think that the cost of erection need be appreciably higher, as it is not absolutely necessary to import expert labour for the purpose of erection. Paper machinery and plant have been successfully erected in India entirely by Indians. In this connection the skill and experience gained by the existing Indian mills is to their advantage, and if these mills contemplate an extension, or think of putting up new mills, it will not be necessary for them to import foreign labour for the purpose of erection.

(b) As to the cost of expert labour for working the mills, we do not think it is necessary in every case to import foreign labour. However, in a large mill working several machines at a time, it would be expedient to import one really good beaterman, and one machine-man to look after all the paper machines in the mill, and their cost divided over a large production would not be appreciable.

(c) As to the efficiency of ordinary labour the Indian paper-maker is at first at a great disadvantage. Unlike cotton-mill labour, skilled labour for paper-making is difficult to get at the start. Foremen and workmen have to be trained up at the mill itself. But the disadvantage is not permanent. Given adequate facilities for training, the Indian workman is not long in gaining the required skill, and we have the example of paper mills in India worked entirely by Indian labour. After the labour is trained in the skilled work so essential in a paper mill, the cost of labour, as we shall show later on, is to the Indian manufacturer's advantage.

(d) As to the collection and transport of the primary raw materials, if the mill is so located, that the distances over which the raw materials have to be transported are great, as in the case in India in several instances, the Indian manufacturer is at a very great disadvantage, particularly as adequate transport facilities, and railway concessions are not obtained in India. The collection of the primary raw materials is also a great drawback because the paper-maker already burdened with the heavy duties imposed upon him in the paper-making proper, has got to create, organize, and maintain another industry, which is an industry in itself, that of the systematic cropping, collection, and transport of considerable quantities of raw material. But if the paper mills are divorced of the pulp mills, as is the practice in force in Europe, that is to say, if the paper-maker is not his own pulp maker as is now the case in India, the transport of raw materials presents no more difficulties, or disadvantages, to the Indian manufacturer than is now the practice in Europe and America. Because, it is then possible for the paper-maker to select a site near one or other of the large paper consuming

centres, which would satisfy all the most important conditions necessary for successful working—such, for example, as rail communication, and sea or tide water locations easy of access to the great markets of the world affording transport facilities for auxiliary raw materials and for pulp either Indian or foreign, accessibility to great consuming markets, cheap coal and intelligent labour.

(e) As the cost of the auxiliary raw materials and consumable stores, considerations such as ocean freight, duty and landing charges, capital locked up in the stock, and deterioration, are to the disadvantage of the Indian manufacturer. This is particularly so in the case of imported Caustic and Bleach. The latter rapidly deteriorates on keeping, and even when freshly received is scarcely found to test 26 per cent. chlorine contents as against 37 per cent. when sent out. In our opinion, no paper mill which makes its own pulp, or pulp mill, can thrive well in India that does not produce its own bleach and caustic by electrolysis, particularly as the plant required is not so complicated that it cannot be efficiently managed by Indians. With a suitable power-plant it is possible to make both, caustic and bleach, at a cost less than even what several of the Western mills are now paying for the ready-made product.

As to other auxiliary raw materials, such as rosin, fillers, ochres, lime, these can be obtained in India at advantageous prices. Sulphate of Alumina, however, has to be imported in quantities amounting to about 2 to 3 per cent. of the paper made until the demand is sufficient to warrant its manufacture in India.

As to consumable stores such as wires, felts, jackets, beater-bars, knives, etc., the Indian paper maker is at a disadvantage. The cost per ton of paper amounted to Rs. 8 per ton in 1913-14.

(f) As to freight on finished goods the Indian mills are at a disadvantage when the principal market is at a greater distance from the mills than it is from the importing sea port, and railway concessions are not obtainable. For instance, to carry finished paper from our mills to Bombay over a distance of about 124 miles it costs Rs. 9-3-0 per ton, and railway rates for small consignment are the same as for wagon loads, at the present time.

(g) As to the maintenance of stocks of spare parts the Indian manufacturer is at a disadvantage. But with a well appointed mechanic shop, which the Indian mills usually have, it is not necessary to keep many more parts in spare than is necessary in the European mills.

(h) As to custom duty on the imported materials this is a serious item placing the Indian manufacturers at a great disadvantage. The duty amounts to 15 per cent. on all imported auxiliary raw materials and consumable stores.

(i) The raising of capital is the greatest disadvantage the Indian manufacturer has to contend with. While there is no lack of capital with those who have at heart the welfare of the country and its industries, the limited success obtained by the existing paper mills has destroyed all confidence in the investing public. India is still in the early stages of industrial development, and under the circumstances, so long as the industry has to face unprotected the unrestricted competition of the world's paper trade, it is impossible to induce the Indian public to put more money in this industry.

VII. EQUIPMENT.

87. Our mill is by no means sufficiently large as an economic unit of production. If we take into account only the book-paper manufacturers of America, the total production of their 39 principal mills amounted to 575,804 tons (of 2,240 lbs.) in the year 1915 (Witham, "Modern Pulp and Paper-making"), or 14,760 tons per annum per mill. At least half of this or rather 8,000 to 10,000 tons per annum represents the minimum for economic unit of production, so as to compete successfully with the foreign manufacturers.

88. Both the manufacturer of pulp and paper requires the use of elaborate and expensive machinery. But pulpmaking being more a chemical than a mechanical process, more elaborate machinery is required for paper than for pulp, particularly as the latter is the crude product used by the papermaker for the manufacture of the finished material whose fineness and quality are entirely different.

Our capital amounts to Rs. 5,00,000. But the total cost of machinery, plant, land, buildings and erection amounted to Rs. 5,88,290. We were, therefore, obliged to work with borrowed capital.

The following is a brief description of our plant and machinery:—

- 1 Rag duster.
- 2 Rag choppers.
- 1 Willow.
- 4 Spherical rag boilers 9' diameter.
- 10 Washing and beating engines, Hollander Type, 450 lbs. each.
- 4 Flat strainers.
- 1 Paper machine, 100 inches wide, 35 feet long, 2 suction boxes, 2 wet presses Drying cylinders, 4 feet diameter. Smoothing rolls, damping and cooling rolls, and 2 stacks of calenders, 5 rolls each, fixed speed steam engine to drive the machine and pumps. (The machine is not provided with a variable sectional drive.)
- 1 Revolving slitting and cutting machine.
- 2 Guillotines.
- 2 Plate glazing calenders.

The preparatory machinery was supplied by Messrs. Bantley and Jackson of Bury, Manchester, and the paper machine by J. & W. Bertrams of Edinburgh in the year 1885.

The power plant consists of—

- 4 Lancashire boilers 28' x 1' 6" 100 lbs. pressure by Beely.
- 1 Green Economiser.
- 1 Compound condensing tandem steam engine, 450 I.H.P., by Douglas and Grant, Kirkaldy.

The machinery was put to use in the year 1887.

91. Our machinery and equipment are by no means up-to-date to enable us to successfully compete against the foreign manufacturers.

92. No epoch-making improvements have been effected in pulp and paper-making machinery during and since war, that we are aware of. But it is fact that many improvements have been effected in constructional details, as for example in the suspension, etc., of the wire part, in couch doctors, in the lay out of the couch and wet presses, in details regarding the suction-roll, in the drive of the variable parts of the paper machine particularly with regard to electric sectional drive, in the exhausting appliances of the drying cylinders, in the shape and proportion of the beating engines and refiners, etc.

With regard to pulpmaking processes, however, the recently developed chlorination process deserves the utmost attention of the Indian pulpmaker, as the process is particularly suited to Indian conditions, involving, as it does, the manufacture of chlorine and caustic on the spot, and dispensing altogether with the evaporating and soda recovery plant.

93. We have since 1914 adopted no new process of manufacture, or installed any new plant or machinery.

94. We contemplate the replacement of our existing power-plant with either a suction gas plant or a Diesel oil engine and the replacement of our brass and iron press rolls with stone and rubber rolls, and to bring a new

and a larger stack of calenders, and, if possible, to install on entirely new and modern paper machine. But since our mill has closed working since April this year, we anticipate opposition to the scheme, because, owing to the bad state of the paper industry in India, questions have been raised whether it would not be in the interest of the shareholders to stop work altogether, since, with the money realised by the sale of the mill and with the existing reserve and depreciation funds a fairly satisfactory return per share is anticipated.

No parts of the machinery are made in India. But it is possible with the help of our own mechanic shop, and the local engineering firms to keep all machinery in proper order, and to replace broken or damaged parts if any.

VIII. CAPITAL ACCOUNT.

96. The block value of our property, as at 31st March 1923, is as follows (round figures):—

	Rs.	Rs.
(a) Leases and concessions	Nil.	
(b) Land at cost price	4,643	
(c) Mill building, etc., at cost price		2,29,757
Less depreciation up to 1923		76,929
		<hr/> 1,52,828
	Rs.	Rs.
(d) Machinery and plant at cost price	3,37,758	
Less depreciation up to 1923	1,38,186	
	<hr/>	<hr/> 1,99,592
(e) Dead stock:		
Office and mill furniture	1,203	

98. During the 35 years since manufacturing commenced the sum set aside for depreciation on the buildings is Rs. 76,927, and on the machinery and plant Rs. 1,36,166 which works out as follows:—

Depreciation on buildings 0.9 per cent. per annum.

Depreciation on machinery and plant 1.16 per cent. per annum.

Whereas the depreciation should be—

on buildings 5 per cent.

on machinery and plant 7½ per cent.

99. For a mill having the same output as our mill the present cost of "Buildings" would be about 60 per cent. more and machinery and plant about 75 per cent. more than the cost of our present mill. But it would be an elaborate paper machine embodying the latest developments, and the operating cost of the mill would be smaller than ours.

101. The capital of the Company is as follows:—

	Rs.
Authorized	5,00,000
Subscribed	5,00,000
Paid-up capital	4,99,135

The capital is divided in 1,000 ordinary shares of Rs. 500 each.

The dividend paid each year since the establishment of the Company is as follows:—

	Per cent.
1885-86	<i>Nil.</i>
1886-87	<i>Nil.</i>
1887-88	<i>Nil.</i>
1888-89	<i>Nil.</i>
1889-90	4
1890-91	5
1891-92	5
1892-93	5
1893-94	5
1894-95	5
1895-96	5
1896-97	5
1897-98	5
1898-99	5
1899-1900	5
1900-01	5
1901-02	5
1902-03	5
1903-04	5
1904-05	5
1905-06	5
1906-07	5
1907-08	5
1908-09	5
1909-10	6
1910-11	6
1911-12	6
1912-13	6
1913-14	6
1914-15	6
1915-16	6
1916-17	6
1917-18	6
1918-19	7½
1919-20	8
1920-21	8
1921-22	8
1922-23	9

Since 1st April 1919 the mill has been let out to Messrs. D. Pudumjee & Co., and the dividends have been paid from the lease-rent received from them. They, however, inform us that they cannot work the mill at a profit so much so that they have thought it fit to close the mill since 1st April this year. They will hand over the mill to us on 1st April 1925 when their lease expires, and will not exercise their option of continuing it for one year more.

105. The average rate of dividend on the ordinary shares for the full period since the mill commenced manufacturing amounts to 5·4 per cent.

107. The amount of the reserve fund created by the Company is—

	Rs.
Reserve Fund	64,941
Provision for bad and doubtful debts	28,175
TOTAL	93,116

The amount has been accumulated from surplus profits.

108. An additional capital of at least Rs. 3,00,000 will be necessary to carry out our contemplated scheme of extension and replacement, viz., a new power-plant, a new paper-machine and various other replacements.

IX. COST OF PRODUCTION.

109. The following statement shows the total expenditure (in round figures) incurred on the production of paper during 1913-14 :—

	1913-14. Rs.
(1) Primary raw materials	51,203
(2) Purchased pulp	1,47,025
(3) Auxiliary raw materials	37,854
(4) Mill labour	34,470
(5) Power and fuel	66,450
(6) Ordinary current repairs and maintenance of building and plant and machinery (including Engineer's Stores)	17,980
(7) General services, supervision and local office charges (including Manager's and Engineer's pay)	15,617
(8) Miscellaneous*	19,200
TOTAL	3,89,801

	Tons.
Total production of paper for the year	1,112

	Rs.
Note :—Includes packing	3,910
Includes railway freight	5,420
Income-tax	1,048

114. We think the rates of depreciation allowed by the Income-tax Authorities, viz., 5 per cent. on buildings and $7\frac{1}{2}$ per cent. on machinery, are fair

115. The sum required annually for depreciation at income-tax rates on the total block capital is as follows:—

(a) If the assets are valued at cost—

	Rs.
On buildings	11,487
On machinery and plant	25,330
TOTAL	36,817

The incidence per ton of paper at the present output (say 1,100 tons) is Rs. 33·5, and at the maximum output of say 1,700 tons is Rs. 21·6.

(b) If the assets are taken at their value after deducting all depreciations written off up to date the sum required is—

	Rs.
On buildings	7,641
On machinery and plant	14,970
TOTAL	22,611

The incidence per ton of paper at the present output is Rs. 20·5.

The incidence per ton of paper at the maximum output is Rs. 13·3.

Taking the present cost of the buildings and machinery to be respectively 60 per cent. and 75 per cent. higher than the cost of our present mill for the same output the sum required annually for income-tax rates is as follows:—

	Rs.
On buildings	18,379
On machinery and plant	44,327
TOTAL	62,706

The incidence per ton of paper at the present output is Rs. 57 and at the maximum output is Rs. 36·8.

118. The working capital which the Company requires is—

	Rs.
(1) According to the present output about	2,20,000
(2) According to the maximum output about	2,90,000

120. For several years since the Company commenced working it was necessary to borrow the whole of the sum required for the working capital. But from the accumulations of the reserve and depreciation funds each year the loans have been gradually paid off. For instance in the year 1913-14 the loans amounted to Rs. 1,12,466. The rate of interest paid on the borrowed sum varied from 4½ to 6 per cent.

121. The working capital is about 6·7 times the month's output (works cost only).

122. The average value of the stocks of finished goods held by the Company is about Rs. 85,000. Normally about a month elapses between production and payment.

The average value of the stocks held of raw material and coal are as follows:—

	Rs.
Paper materials, chemicals, etc.	60,000
Coal	7,000
Mill stores	10,000
Packing materials	6,000

124. The Company has a Head Office in Poona, under the control of the firm of Messrs. N. Pudumjee & Co., Managing Agent and also an office in Bombay.

125.

(i) The annual amount of the Head Office and the Bombay Office expenses is about Rs. 16,500 including the agent's remuneration.

(ii) The average annual Agent's commission has amounted to Rs. 2,850.

126. The Agent's commission is determined at the rate of 10 per cent. on the net profits made and divided by the Company.

127. The cost of the Head Office expenses per ton of the finished paper is as follows:—

(1) At the present output Rs. 15.

(2) At the maximum output Rs. 9-7.

The costs of the Agent's commission per ton of finished paper is as follows:—

(1) At the present output Rs. 2-6.

(2) At the maximum output Rs. 1-7, *i.e.*, if the extra profits expected to accrue on account of the larger production and on account of the reduced cost per unit of production is taken towards the reserve fund, and not divided by the Company.

X. MANUFACTURER'S PROFITS.

128 and 130. We consider a rate of dividend which is 2 per cent. to 3 per cent. above the average Bank rate or say 8 to 9 per cent. is a fair return on ordinary shares.

131. The incidence of the dividend of 9 per cent. on the ordinary shares per ton of paper is—

	Rs.
(1) At the present output	4-1
(2) At the maximum output	2-6

XI. CLAIM FOR PROTECTION.

132. We firmly contend that in claiming protection for the paper and pulp industries all of the 3 conditions laid down by the Fiscal Commission are satisfied. As to the first condition, A, we may state that the industries possess natural advantages in a remarkable degree such as an abundant supply of raw materials, cheap labour, a sufficient supply of fairly cheap power and a large and steadily increasing home market, and with particular regards to pulp-industry, the future prospects of creating a large export trade.

Raw materials.—The enormous available supplies of Bamboo and elephant or Savannah grasses can be utilised for the manufacture of a good quality of pulp on a large scale. In these materials India possesses valuable resources which occur under circumstances highly favourable for their commercial development. There are several locations, amongst others, which have been already investigated by Messrs. Pearson and Raitt, besides those suggested by the Mysore, Cochin and Bansda States, where all the most important conditions for the economical manufacture of pulp are found; and whereas a perpetual supply of raw materials is assured.

Power.—As to power abundant supplies of fuel sufficiently cheap as to compare favourably with that used by the Scandinavian and even the American Manufacturer of paper or pulp are available in India. In a well-equipped mill it requires 1½ tons of coal to manufacture 1 ton of paper from chemical pulp, and 1 ton coal per ton of paper from mechanical pulp. And in Scandinavian practice for the manufacture of 1 ton of Sulphate pulp the requirements are 17 H. P. during a day (24 hours) plus 8 cwts. of coal.

("The Paper-markers' Monthly Journal," 15th September 1923.) And further, about 9 H. P. a day more power will be required if sufficient bleach is produced electrolytically to bleach 1 ton of pulp (on the basis of a consumption of 16 per cent. bleach per ton) incidentally producing about 1 cwt. of Caustic. It will be seen therefore that even allowing for the lower calorific value of Indian coal the consumption is not very material, and since the power requirements are not high, the oft-raised question that cheap water power is the advantage of the Scandinavian Mills loses much of its importance for any but the manufacture of mechanical pulp. The purchase price of coal used in the manufacture of paper by the American mills was \$3·3 in 1914 and \$5·0 in 1919 per ton of 2,240 lbs. ("Paper Trade Journal," U. S. A., 14th August 1919.) It will be seen therefore that in such places where firewood is available and where a suction gas plant is best indicated or where coal fields are near, or where the advantages of tide-water communication can be got, the Indian paper or pulp manufacturer has the advantage over even his American brethren.

Labour.—That India has an ample potential supply of cheap labour is not disputed. But there does not exist any important class of factory workers from which the paper manufacturer can at once draw his workmen wholesale. The Indian manufacturer therefore has to depend upon himself to create in course of time his own trained labour which is sufficiently skilled and efficient for his purpose. That this is possible is proved by the existence of two great industries in India. Moreover, the skilled labour is cheap in comparison with the Western countries. The average earnings in the American pulp and paper mills in 1923, are given below for comparison ("Paper Trade Journal," U. S. A., 10th April 1924):—

	Average full time earnings per week for all occupations. Dollars.
Paper Mills—	
Men	24·76
Women	18·06
News Print Mills—	
Men	29·04
Women	16·55
Writing Paper Mills—	
Men	28·27
Women	19·40

Market.—The fact that India cannot supply $\frac{1}{3}$ its demand for paper which is rapidly increasing with the growth of education, shows that there is a great scope for expansion. As to pulp, besides the present local demand, a further expansion of it is to be expected side by side with the expansion of the paper mills, and, further, a large export trade is possible.

As to the second condition laid down by the Fiscal Commission B, we are distinctly of the opinion that without protection both the pulp and the paper industries are not likely to develop at all. While India is still in the early stages of industrial development, its paper manufacturers, handicapped as they are by the small size of their mills and by the limited amount of their capital, are pitched in competition, unaided and unprotected, against an highly organized Western industry which is established years ago on a gigantic basis, which is backed by enormous capital, and which has been protected in its infancy and still protected by its respective Government. If it were not for the natural advantages offered to them by their country, it would be a marvel that the Indian manufacturers were at all able to hold their ground so long. At any rate the margin of profit is so small that the least adverse cause makes the difference from success to failure. Under the circumstances no Indian Industrialist can be expected to have the courage to invest any more

in an industry whose immediate outlook is so gloomy. As a matter of fact the unsatisfactory financial condition of most of the Indian paper mills, including the two largest in Calcutta, has shaken that very confidence of capital which is the main element in the expansion and development of an industry. But, with some protection the outlook might be vastly changed. We take our own mill as an instance. At the time our Company was established in the year 1885 the price of New Printings as then used by the Bombay presses was Re. 0.3-2 to Re. 0.3-4 per lb. Basing our calculations on this price, and on the price of rags, gunny, wastepaper, etc., as our raw materials we expected a fair return on our outlay. We commenced work with a manager, an Engineer, a beater-man, and a paper machine-man all got from England on high recommendations, and with the Indian labour wholly in conversant with the art and technique of paper making. The paper turned out during the first year or two was of a quality too poor to take the market. There was much "Broke" and "Retree" and there were sizing difficulties which even the experts could not overcome. The constant accumulation of unsaleable stocks involved us in debts, and larger and larger loans were necessary to find the working capital. By the time the collection and transport of rags of the required kind was fully organised, the manufacturing difficulties were more or less overcome, and the labour had acquired sufficient skill and knowledge to manage the machines, the unrestricted influx of foreign paper and that made from mechanical pulp particularly, flooded the Bombay Market, and caused a heavy fall in prices. As a matter of fact if it had not been for the timely help afforded to us by the Government of Bombay by having taken even at the market prices most of their requirements from us in a quality, which though satisfactory for their use, was yet not quite up to mark, we should have ceased to exist long ago. Thus crippled in its infancy our mill has never rallied. Beyond a bare subsistence it has done nothing more. We have had no chance to modernize our mill, none even to effect the necessary important improvements with a view to increased efficiency or economy. That we have been able to hold our own was due to the exercise of strict economy in every detail, to Government support, and to the fact that with increasing knowledge and experience gained by our workmen we were able to keep on our production of a good quality of paper with more and more economy. But if we had been afforded some little protection during the commencement of our work the case would have been different. With larger reserve funds following on the lines of some of the most successful cotton mills in India, we would have replaced old for modern and up-to-date machinery and appliances. Particularly would we have got out another and an up-to-date paper machine to complete a two-machine mill for which our mill was originally laid out, having been at the outset furnished with building, power, preparatory machines and beating engines sufficient for two machines. Moreover, and this might have been of far-reaching consequences, by giving higher wages a better class of workmen, and larger numbers, could have been induced to learn the work, and acquire the high degree of skill and knowledge which modern paper-making requires. Thus, established on a profitable basis, with the confidence created in the capitalists, a further development was possible.

As to the third condition laid down by the Fiscal Commission, C, we claim that the industry will eventually be able to face world competition without protection.

We see no reason why, given an equipment as efficient as the Western mills, with all the latest methods of economic power production and utilization, and working on a fairly large scale of production of say 10,000 tons, if not more, per year, we should not be able to compete with the foreign manufacturer even taking into count the standard of efficiency at present attained by Indian labour and even if we should have to work with imported pulp on the same lines as the European mills, using the same quantities of pulp as they do,—provided time is allowed to train Indian labour in the required numbers. To show how this is possible we shall refer again to our cost of production during the normal year 1913-14 as shewn on page 14

Taking the cost of conversion exactly as then obtained but supposing we had manufactured nothing but a good quality of book printing paper and worked with imported bleached sulphite and soda pulp, on the same lines as the American mills, we should have obtained the results worked out as follows :—

(Given in round figures.)

Tons paper produced	1,110
Stock—	
	Rs.
497 tons Bleached soda pulp at Rs. 205	1,01,880
472 „ Sulphite pulp at Rs. 216	91,170
105 „ Shavings at Rs. 80	8,400
255 „ China clay at Rs. 60	15,300
27 „ Alumina sulphate at Rs. 90	2,430
20 „ Rosin at Rs. 290	5,800
2 „ Caustic and dyes, etc.	1,110
TOTAL	2,26,070
Conversion—	
Labour	29,000
Coal	33,030
Repairs and Engineer's stores	17,980
Wires, felts, belting and lubricants	10,120
Packing and rail freight	9,330
Miscellaneous	3,950
TOTAL	1,03,410
General expenses—	
Taxes and insurance	4,870
Administrative—	
	Rs.
Supervision including Manager, Engineer, Foreman, and local office charges	15,620
Agent's remuneration, and Head Office and Bombay Office charges	16,500
TOTAL	36,990
	Rs. A. P.
Total cost without depreciation	3,66,470 0 0
Total cost per ton of paper	330 0 0
Total cost per lb. of paper	0 2 4

NOTE.—The actual labour cost during the year was Rs. 34,470, but this included Rs. 5,470 being the labour cost of sorting, chopping and boiling rags, etc., which would be dispensed with when using pulp only.

Coal is calculated at $1\frac{1}{2}$ tons per ton of paper. The European practice is $1\frac{1}{2}$ tons per ton of paper, but the higher figure is taken for calculation as a safe basis.

The selling price of similar paper in Bombay in 1914 was Re. 0.24 to Re. 0.25 $\frac{1}{2}$ per lb.

It will be seen that, even working on an incomparably small scale, without even modern or up-to-date equipment, the cost of production does not com-

pare so unfavourably with the selling price as that with more modern machinery and appliances, and with working on a larger scale the cost could not be so reduced as to leave a fair margin of profit even after allowing a sum for depreciation and reserve. For instance if we had had the opportunity to have completely modernized our mill, introduced a new power plant and also a new paper machine so as to have completed our original plan of a two-machine mill, we would have been able to manufacture, working both the machines together, at least 3,600 tons per year, and in that case the cost would have been as follows:—

(Given in round figures.)	
Tons paper produced	3,600
	Rs.
1,612 tons Bleached soda pulp at Rs. 205	3,30,460
1,368 „ Bleached sulphate pulp at Rs. 216	2,95,490
342 „ Shavings at Rs. 80	27,360
828 „ China clay at Rs. 60	49,680
90 „ Alumina sulphate at Rs. 90	8,100
65 „ Rosin at Rs. 290	18,850
9 „ Caustic and dyes, etc.	3,600
TOTAL	7,33,540
	Rs.
Conversion—	
Labour	58,000
Coal at Rs. 17	1,07,100
Repairs and Engineer's stores	35,960
Wires, felts, belting and lubricants	25,240
Packing rail freight	30,320
Miscellaneous	7,900
TOTAL	2,64,520
	Rs.
General Expenses—	
Taxes and Insurance	7,000
Administrative—	
Supervision and Local Office charges	20,000
Agent's remuneration, Head Office and Bombay Office	22,000
TOTAL	49,000
	Rs.
Total cost without depreciation	10,47,060
Total cost per ton of paper	291
Selling price per ton of paper (at Re. 0.2-4 per lb.)	326.7

It will be seen therefore that if the production has been increased about three-fold the cost would have been reduced to a figure which was well within the selling price. From figure given above it is easy to see that if worked on an economical scale of say 10,000 tons per year if not more, with up-to-date machinery and appliances, a paper mill could be established in India on a profitable basis, even if it were necessary to import the bulk of its requirements of pulp, and that the mill could eventually afford to be without protection as soon as its Indian workmen had acquired the degree of know-

ledge and skill required to work a modern paper mill and could produce from a similar material paper, which if not quite equal to that produced by their more advanced European and American brethren, was yet sufficiently up to mark.

133. We further claim that the paper and pulp industries fully satisfy also the two conditions mentioned in the Fiscal Commission's Report, viz.:-

- (a) That the industry is one in which the advantages of large scale production can be achieved, i.e., in which increasing output would mean increasing economy of production and
- (b) That it is probable that in course of time the whole need of the country could be supplied by the home production.

We give below the average cost of conversion per ton of paper for 39 principal book-paper mills in America during the year 1915, the average production per mill being 14,764 ton (English ton). The figures (corrected to English ton of 2,240 lbs.) are taken from Witham's "Modern pulp and paper-making." Accurate figures for 1914 are not available, but in America the cost in 1914 was practically the same as 1915, if anything it was a trifle higher. We also give for comparison the corresponding figures to denote cost obtained by ourselves during 1914, and cost as shown on page 20.

	Cost per ton of paper, American Book Paper Mills, Production 14,800 Tons per Mill.	Cost per ton of paper Our Mills 1913-14, Produc- tion 1,119 tons.	Cost per ton of paper Our Mills, as shown on page 20 production 3,600 tons.
	\$ Rs.	Rs.	Rs.
Conversion—			
Labour	9.70=31.52	26.02*	16.11
Fuel	3.22=10.46	59.86	29.75
Repairs	1.78= 5.16	16.20	9.98
Wires, Felts, Belting and lubricants.	1.46= 4.74	9.11	7.01
Packing and Shipping	1.59= 5.16	8.45	8.45
Miscellaneous . . .	1.44= 4.68	3.56	2.19
General expenses—			
Taxes and Insurance .	.77= 2.50	4.39	1.94
Administrative . . .	1.90= 6.17	14.07 Supervision.	5.53
		14.86 Agent's Remune- ration and Head Office.	6.11

NOTE.*—The figure for a proper comparison with the American figure has been arrived at after deducting the labour which was employed on rag sorting chopping and boiling.

A comparison of the figures will help to illustrate the advantages of large scale production in a paper mill. It will be seen that the labour cost at our mills amounted to Rs. 26.2 per ton as against Rs. 31.5 in America. The average full time earnings per week in American Book-paper mills of males in all occupations amounts to \$27 and of females to \$16.04. We may compare this with Indian labour (in Poona) as follows:—

	American (8 hours a day) per week.	Indian (10 hours a day) per week.
	\$ Rs.	Rs.
Males	27 = 86	4 8 0
Females	16.4 = 52½	2 4 0

Even granting that Indian labour is two to three times less efficient, and allowing for this, American labour is still at least 6 times more expensive, and yet the labour cost per ton of paper compares as American Rs. 31.05: Ours Rs. 26.02 instead of Rs. 6 : 1. The advantage of large scale production in the saving of labour is obvious. If we take into account one item of supervision, viz., the Manager, it goes without saying that an average American Mill, producing say 14,700 tons, can better afford to pay a salary of even say Rs. 13,000 per month to its manager than our mill and can afford to pay even Rs. 1,000 and the advantage to them is obvious. It will be seen therefore that the full advantage of the cheap labour cannot be obtained until the production is increased beyond a certain limit.

As to coal, owing to their larger production and their larger and efficient power units the American Mills have been able to bring down their cost of coal per ton of paper to as low a figure as \$3.02 (Rs. 10.5) per ton, which means a little over one ton coal per ton of paper. This is even less than is obtained in European practice where the consumption of 1.25 tons coal per ton of paper made from chemical pulp is considered a very good figure. Our coal consumption in 1913-14 amounted to 3.4 tons per ton of paper including the use of rags or 2.5 per ton made from pulp alone. Therefore with a large scale production and a large power plant a reduction down to at least 1.5 tons per ton must be expected on paper made from pulp.

As to felts, and wires, we would expect a certain saving with larger output. A fast running paper machine producing say twice as much paper as another will not be twice as expensive on wires, felts, and jackets. On comparing the American cost per ton it will be seen that with a larger output a great reduction in cost is possible, even after making an allowance for the higher cost of the material in India.

As to repairs, since the Indian paper mills must keep their own well appointed mechanic shop, the maintenance of which is a heavy item, the cost per ton of paper can be considerably reduced by increasing the output.

As to overhead charges and depreciation it is obvious as in all other industries, that the incidence per unit of production is less as the production is increased. But this is more appreciable in a paper mill than, for instance in a cotton mill where the manufacturing units are more or less standardised. But in a paper mill the units vary considerably, and for example a paper machine built to produce say 20 tons per day will not be 3 times as expensive as that made to produce 7 tons a day, and beater to hold 2,000 lbs. stuff will not cost 4 times as that meant to hold 500 lbs., and therefore the incidence of depreciation per ton of paper is much less in a comparatively larger mill.

As to the question whether the whole needs of the country for paper and pulp can be supplied by the home production we may mention that the existing mills are already supplying about one-third the country's total demand for paper and the fact that their annual production increased by 5,000 tons during the war strongly demonstrates the possibilities of expanding the output even under the abnormal conditions created by the war, when the supplies of foreign pulp were stopped, and when the difficulties of manufacture and of obtaining chemicals and materials were enormous. There is therefore no question as to whether the production will meet the country's entire demand for paper, but the fear is the output may outstrip the demand. With the establishment of the paper industry on a firm basis the demand for pulp is assured. And with the impetus thus given, and if at the same time the stimulus of protection were provided, a rapid development of the pulp industry can be looked forward to with confidence. And it is here that India has a chance of creating an industry which is likely to surpass the two of her most successful and largest industries, *viz.*, jute and cotton. When it is realised that there are enormous supplies of quickly replaceable materials it will be seen that it only requires development on scientific lines to place India in a particularly advantageous position as regards the production of pulp. Mr. Raitt in 1919 estimates that India can produce 15 million tons of pulp from Bamboo and Savannah grasses. "Taking only that which is available under sound manufacturing conditions," This means that India alone has within her territories pulp supplies sufficient for the whole world.

134. That the paper industry is of importance on national ground and therefore deserves protection apart from economic consideration was most forcibly demonstrated when put to the test during the war. In this connection we cannot do better than quote Mr. Barbour: "If not fully appreciated during time of peace the importance of the paper industry to this country was certainly brought home to most people during the war, and none perhaps more forcibly than to those responsible for the public services and for the direction of Indian Military efforts. When the first expeditionary force left India's shores for France, it took with it a printing press and a large supply of Indian-made paper. Wherever Indian troops moved, whether to Egypt, Mesopotamia or East Africa there Indian-made paper went to furnish the stock in trade of the Army's administration, to be the vehicle of instruction and information. No doubt during recent years many readers like the writer, have noticed the familiar Indian imprint on the innumerable Army forms also supplied to forces other than those from India. Indian Mills not only met the demand of the Army on the far-flung field and assisted the production of munitions but so increased their output that they were able to supply the Indian Government's Telegraph and Postal Services and Railways with supplies far in excess of contract quantities, to assist other Governments as those of Ceylon, the Straits and Hongkong, and at the same time to keep the general business of the country and many of the important newspapers remarkably well supplied with their munitions of war. Japan for a time contributed her quota but had it not been for the Indian Mills there would have been a paper famine in India—to say nothing of the probable dislocation of industry and trade, and the resulting reaction on India's war efforts.

"Costs and prices of papers rose, as did the price of most commodities in the abnormal conditions of the war periods, but the Indian paper Mills were able to make supplies to the public services at much lower rates for example than those paid by British Government. A striking testimony to the good sense of the Indian Manufacturers and to generous and patriotic way in which they met the situation is the fact that India alone of all paper-making countries was able to do without the intervention of Government control over the distribution and supply of paper." (A. R. Barbour, O.B.E., "Journal of Indian Industries and Labour," November 1921). In this connection the remark made to us by the Superintendent of Printing and Stationery that if we had failed to supply the whole needs of Bombay Government during the war he would have had to recommend the commandeering of our mill, is worth mentioning. Therefore a serious situation from a national point of view is

created by the fact that the Indian Mills have not been able to recover from the difficulties of the post-war periods, and almost every mill small or large has either been working at a loss or with no profits at all. And therefore if no protection were given to the mills at least till the time that the prices of raw materials and paper have reached an economic basis, most of the mills will cease to exist altogether.

136. Since all kinds of paper can be manufactured in India we see no reason why protective duties should not be imposed on all. However, such papers as, hand made, coated art paper, tissues, etc., which are not likely to be made in India till the Industry is established on a large scale, might be exempted. Probably any paper that costs 8d. per lb. f.o.b. European port will be exempted from any further duties, because with respect to similar papers which can be made in India, the foreign prices *plus* the existing revenue duties are remunerative. But with respect to common brown or wrapping papers, and also kraft, we strongly recommend a duty which will be at least 5 per cent. more than what will be deemed necessary on white writing and printing papers. Because it is in these lines that German competition is felt the most, while the waste materials available in India, such as gunny, old ropes, old canvas, waste rags, waste papers, etc., have not been sufficiently utilised. Further, it has been found that a strong kraft pulp can be made from Bamboo and therefore in course of time the manufacture of kraft papers can be developed to the mutual advantage of the pulp and paper industries.

The different varieties referred to above can be readily distinguished for customers' purposes.

137. It is difficult to suggest any satisfactory measures to safeguard paper and pulp industries against underselling by reason of depreciated exchanges, subsidised freight, dumping and other causes of unhealthy competition, but as a set off against these we would look to Government for assistance. We would ask for a favourable treatment, as regards to railway rates. Railway freight on coal from Bombay to Poona is Rs. 2-12 per ton, whereas on pulp, raw materials and finished paper, whether in waggon loads or in small consignments, it is much higher. We suggest that finished paper and all raw materials required for the manufacture of paper carried in waggon loads should be charged at the same rate as coal. Further, we would ask from Government a continuance of orders for paper. The Indian mills owe their existence more or less to the support given to them by the Government, and the Mills fully recognise their great indebtedness to the Government for it. Mr. Barbour has aptly said referring to the performance of the mills during the war, "the amounts set aside for dividends to shareholders, though large in comparison with pre-war figures are relatively small when compared with the sums which have to be provided to finance the industry and indeed, much less than they might have been had the companies concerned taken full advantage of their opportunities and charged prices for their product equivalent to those in vogue elsewhere. That they did not do so was due to their recognition of their indebtedness to Government for the support afforded them in earlier years and the reasonable expectation that that support would be continued when the period of emergency was succeeded by the troublesome times of peace." Government support is particularly necessary because an early recovery of the mills from the depression of the post war period is most essential. And therefore we ask that all Government Offices and Railways should distinctly specify that, as far as it is possible, all paper required for their use must be Indian-made, provided no undue advantage of this is taken by the Indian Manufacturers. In this connection we may mention that the Indian-made half-bleached or Badami paper is the cheapest wood-free paper in the market, and it is almost equal in lasting and other qualities to the Indian White printings, because both are made from the same raw materials, but with the difference that the Badami paper is not fully bleached, to effect a saving in the chemicals. Therefore the Government Offices and Railways are justified in using Badami papers in large quantities, as a saving to themselves and a help to the Indian manufacturers. And yet, because the Railways do not specify that the Badami required by them should be

Indian-made, there are instances that the Indian Printing Presses, to the great detriment of the Indian manufacturers, have used for printing railway forms large quantities of foreign paper which are made with a prepondering quantity of mechanical pulp and are therefore very little different from the ordinarily imported news printing papers. Yet, this paper is passed as Badami because it is tinted yellow. Therefore in all fairness to themselves and in fairness to the Indian manufacturers, we ask that the Railways should specify that the Badami required by them must be Indian-made.

139. As to the amount of protection required, we may argue that since it is the object of protection that the paper industry should be developed as rapidly as possible, not only for its own sake but more particularly with the ultimate object of creating a demand whereby the establishment of another industry of larger importance, that of pulp manufacture, be stimulated. Protection must therefore, encourage the expansion of the existing paper mills, and the creation of the new ones, even if they have to depend at first upon imported pulp. We have shown on page 19 that under normal conditions, as for example those obtained in 1913-14, using only imported pulp we could manufacture superior white printing which could sell at Re. 0-2-4 per lb. By working the mill at its full capacity producing 1,700 tons per year instead of 1,110 as in 1913-14, the cost could be reduced (on the same lines as shewn on page 19) and the paper could be made at Re. 0-2-3 per lb. If, then, there were a protective duty of 14 per cent. over and above the normal 5 per cent. the gross profits would amount to about Rs. 97,000 which might be divided as follows:—

- Rs. 40,000 Dividend at 8 per cent.
- Rs. 36,000 for Depreciation at about $7\frac{1}{2}$ per cent. on machinery and 5 per cent. on buildings.
- Rs. 12,000 Interest on working capital.
- Rs. 5,000 Reserve.
- Rs. 4,000 Agent's Commission.

Therefore under normal conditions, an import duty amounting to 19 per cent. would be of considerable help to the industry. But under the prevailing abnormal conditions created by the depression in the world's trade, and by the depreciated currencies, when the prices of most commodities are fluctuating without reference to their manufacturing costs, it is difficult to arrive at any definite figure for protection. However, considering the fact that the former profits of all the Indian mills have been wiped off under the prevailing difficulties, an increase in the import duties is necessary amounting 6 to 8 per cent. over what would be required normally. We should say a protective duty of 25 per cent. on imported paper would help the existing mills to tide over their present difficulties. But the full advantage of the protection will not be felt until the normal conditions are restored and prices have reached their economic level.

140. With respect to the question why the paper industry which has been in existence in India for a number of years is still in need of protection, we have already stated the facts under which the growth of the industry has been retarded, and have given the instance of our own mill. As a matter of fact the Indian manufacturers have not been afforded a chance for improving their mills and bringing them up to date. The latest paper machine in the two largest mills in Calcutta dates back to the year 1893.

The paper industry exactly represents the case stated by the Fiscal Commission in paragraph 64 of their report which we quote here, "In the first place there may clearly be cases in which the free interplay of economic forces will not secure the best utilisation of the capital and labour resources of any country. In the competitive struggle an initial advantage may prove to be a permanent advantage. A fully developed industry in one country may be able under conditions of unfettered competition to hinder the development of the same industry in another country possessing equal or even greater natural advantages. In these circumstances the latter country may never,

or only after a long delay, succeed in applying its labour and capital to the best advantage of which they are capable, owing to the initial difficulties in making a start. These considerations were stated many years ago with admirable lucidity by John Stuart Mill, who wrote 'The superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire may in other respects be better adapted to the production than those which were earlier in the field.' "

The words might almost have been written with particular reference to the paper industry.

141. There is a direct conflict between the claims for protection put forth by the two industries, Pulp and Paper, being two related industries, interdependent for their existence and development. In the year 1912-13 no less than 13,250 tons of pulp were imported into India, a figure representing more than half the total Indian production of paper during that year. Therefore, if an import duty were levied on paper and pulp alike, those mills which are so considerably dependent upon the imported pulp as the figures denote will be in a position worse than now. Moreover, imported pulp is not only meant to supplement the raw materials available locally, but it is also used for the purpose of imparting certain qualities to the finished paper in which the local materials are lacking. For instance, paper made from certain classes of rags obtained in Bombay is bulky and soft handling and lacks in those definite qualities by which the Stationers and Printers judge the merits of a paper, *viz.*, the rattle, feel, and handle of the sheet. These qualities are imparted by the addition of imported Bleached Sulphite Pulp (spruce), and these are qualities which even the imported soda and sulphate pulps cannot impart, much less would such pulp as esparto and bamboo. Hence any restriction on the imported pulp, while restricting the manufacture of certain kinds of paper, also restricts the use of even those materials that are available in India.

Moreover, it is our firm belief that unless the present Indian system of manufacturing paper, *viz.*, that the paper-maker also makes his pulp in his own mill, is abandoned, any development or expansion of either industry is not possible. There are very few locations, if any, in India, where in one and the same place all the most important conditions for the economical manufacture of both paper as well as pulp can be satisfied. Therefore the immediate aim should be to divide the two industries so that the two form entirely separate but related industries, one depending on the other, as is the prevailing practice in Europe and America. But the imposition of duty on pulp will retard the attainment of this very object which is the protectionists' own aim to attain. Because, it encourages the manufacture of pulp for own use under unfavourable circumstances, which by unfair competition drives out of existence those very mills that create a demand for pulp. Such protection therefore defeats the very end it tries to seek.

The obvious remedy would be a duty on imported paper and a corresponding bounty on pulp made and sold as such.

In conclusion we may say that the industry presents a strong case for protection. All the natural advantages are in the country, but the initial advantages are with the foreign rivals. In India the difficulties at the start are great, and skilled labour has to be created. Therefore the infant industry fails to compete with established rivals on equal terms. It is crippled in its infancy, it has no chance to rally, and capital, already too shy, is scared.

But, we have proved that with the help of protection, a larger paper industry can be based on imported pulp to start with. The paper industry in its turn by creating a demand for pulp stimulates the growth of another, and a great industry which is likely to surpass the greatest in the country. The present loss to the country is nothing as compared to its future gain. The loss sustained by the newspaper owners and book-printers is not material.

A large newspaper such for example as "The Times of India" might give 96 pages to each subscriber in a week (or 24 sheets 25" x 35"—36 lbs. 500 sheets). The quantity of paper each subscriber would get would be 88 lbs. per year which would cost Rs. 15 to the printer (at 0-2-9 per lb.) The subscription would be Rs. 40 and the income from advertisements 4 to 5 times as much. The gross income would be Rs. 200 and the present cost of paper Rs. 15 and the increased cost of paper, Rs. 1-6-0 (i.e., $\frac{3}{4}$ per cent. of the total income) consequent upon an increase on the import duties of say 10 per cent. The incidence of the increased cost of paper on each subscriber would be $\frac{3}{4}$ per cent. of his subscription, or $5\frac{1}{2}$ annas per annum, and on the advertiser would be $\frac{3}{4}$ per cent. of his cost of advertisements. Certainly this is worth sacrificing to encourage the manufacture of a cheap pulp suitable for news prints.

The book-printers' complaint that books printed on the continent are much cheaper than can be done in India is a chronic complaint. It existed even before the war, and still books were printed in India in increasing quantities. Considerations such as the character of the work, the different languages, the small number of copies required weigh against the printing being done abroad. And such books as are printed in India are not likely to be printed abroad for the mere reason of a 10 per cent. increase in the cost of paper. Since the total cost of paper would amount to less than 30 per cent. of the selling price of the book, the increased cost would not tell much on the consumer. Therefore these importers and consumers of paper who raise a voice against protection may not be aware what material gain it is calculated to bring to India as a whole for the slight loss imposed upon them at the start. And to them we may say, "If protection is a commercial cancer then America is thriving on it."



सत्यमेव जयते

Statement II.—Supplementary statements submitted by the Deccan Paper Mills Company, Limited, on the 28th November 1924.

With reference to your letter No. 1246, dated the 22nd November 1924, I beg to return by registered book post duly corrected the copy of the record of evidence tendered before the Board by myself which accompanied your letter.

Further I beg to give below the information desired.

(1) We used 720 tons of purchased pulp during the year 1913-14.

(2) The chlorination process is being used for esparto in several countries, in France and Italy, and a mill has recently been working at Padanarang in Java making writing and printing papers from rice-straw by this process.



सत्यमेव जयते

THE DECCAN PAPER MILLS COMPANY, LIMITED.

B.—ORAL.

Oral evidence of Mr. F. D. PUDUMJEE, representing the Deccan Paper Mills Company, Limited, recorded at Poona, on Thursday, the 20th November 1924.

President.—You are appearing, I understand, to give evidence for the Deccan Paper Mills Company?

Mr. Pudumjee.—Yes.

President.—Are your firm still the agents of the Mill? You took a lease of the Mill from the Company did you not?

Mr. Pudumjee.—In fact the lease expires in March 1925. It is still in our hands.

President.—But since March last the Mill has been closed down?

Mr. Pudumjee.—Yes.

President.—It was established, I gather, about the year 1885?

Mr. Pudumjee.—About 1887.

President.—As designed originally the Mill was intended to have two paper machines eventually, but only one has been actually put up.

Mr. Pudumjee.—Yes, to begin with.

President.—You never found it possible to put up a second one?

Mr. Pudumjee.—We were working practically from hand to mouth. We could not afford to bring in another machine.

President.—Would your pulp equipment, your beaters and boilers and so on, be capable of dealing with the quantity of rags required for two machines?

Mr. Pudumjee.—Yes.

President.—The machine you have got, I gather, is now 40 years old very nearly, and apparently it does not run at a very high speed.

Mr. Pudumjee.—The maximum we run is 120 to 130 ft. per minute. That is the speed at which the paper machine would be normally run, making laid paper from rags.

President.—Your maximum output is 1,700 tons per year?

Mr. Pudumjee.—Using no rags but all pulp, it will be still more.

Mr. Ginwala.—Is that running day and night?

Mr. Pudumjee.—Yes.

President.—However, you have never had an output like that?

Mr. Pudumjee.—Because we never worked day and night. The longest we worked was 16 hours.

President.—The highest output you reached was 1,316 tons in 1909-10?

Mr. Pudumjee.—Yes. In 1913-14 we had 1,120 tons.

President.—Would you regard 1,100 tons as a fairly high output, working two shifts?

Mr. Pudumjee.—I do not follow.

President.—You have told us that your full output is about 1,600 tons, working day and night. If you worked for 16 hours instead of 24 hours, 1,100 tons would correspond pretty closely to that.

Mr. Pudumjee.—Yes.

President.—What was the reason which led to the establishment of this paper mill at Poona?

Mr. Pudumjee.—At that time rags were more or less the staple raw material for paper making, wood was not established to the extent it is now, and to start a new industry on this side of India was the object of our firm. We asked for Government assistance and they promised, and actually did give us, help to the extent we required; and in fact took up the bulk of our production ever since we commenced work. It was intended to use all the materials available in Bombay, viz., rags, gunny, jute, waste paper, and we thought we would be able to get two machines to run day and night. At the time we commenced, as we have mentioned in the letter, the cost of printing paper and even the papers used for newsprinting was about 3 annas 2 pies a lb. We thought we would get 3 annas 2 pies for our printings, and so a two-machine mill would be a good proposition. Just then mechanical wood pulp was introduced and this steadily brought down the market price to 1 anna 3 pies.

President.—I understand what you mean. At the time you established the factory, rags were still regarded as a very important and suitable material for making paper, and you thought that a place in the neighbourhood of Bombay would be a suitable place for making paper out of that material, because in the nature of the case there would be more cotton rags available in Bombay than anywhere else in India. But your expectations were falsified owing to changes that took place gradually and to more wood pulp being used in making all kinds of paper. In the second place, newsprint came into common use, with the result that prices fell decidedly after the time you established the factory.

Mr. Pudumjee.—Yes.

President.—Will you tell us why you selected Poona rather than Bombay or rather than any site nearer Bombay?

Mr. Pudumjee.—Simply because we could not get pure water in Bombay. Our requirements of water would be 30 to 40 thousand gals. per ton of paper and Poona was as near Bombay as any other place in that respect.

President.—That is mainly then the advantage as regards water?

Mr. Pudumjee.—And also very cheap labour.

President.—Of course there is not much use considering the advantages as they were in 1885. We have to consider what the position is in 1924. It does not seem that Poona has any particular natural advantages for the manufacture of paper except, as you say, that it might be a good site for this side of India so far as water and cheap labour are concerned. But you are a very long way from your coal.

Mr. Pudumjee.—Not quite so badly placed as regards coal. We get Central Provinces coal. Before the war we could get Singareni coal at Rs. 14 a ton.

President.—It is no use taking the pre-war figure.

Mr. Pudumjee.—C. P. coal is, I think, never more than Rs. 19 a ton.

President.—You say "Since the war, Central Provinces coal costs Rs. 13 a ton pit's mouth and railway freight Rs. 9-7-0 a ton to our mills." That comes to Rs. 22½.

Mr. Pudumjee.—Latterly it has dropped down. The price now is Rs. 16-2-0 for C. P. coal delivered at out station.

President.—What is the pit's mouth price?

Mr. Pudumjee.—Rs. 8 is the pit's mouth price and Rs. 8 is about the freight. We may take it at Rs. 16-8-0 delivered at the mill.

President.—Do you use partly Bengal coal and partly C. P. coal?

Mr. Pudumjee.—Not necessarily. C. P. coal serves our purpose.

President.—What has been your practice say in 1922-23?

Mr. Pudumjee.—Because we could not get enough of C. P. coal we had to use Bengal coal. We used whatever we could get.

President.—Did you find that, if you used the Bengal coal, you reduced your coal consumption as compared to C. P. coal?

Mr. Pudumjee.—It depends on the boiler capacity and other things. We still find that Bengal coal is slightly better, say, by about 6 or 7 per cent., as regards consumption per ton of paper.

President.—Did you use C. P. coal before the war?

Mr. Pudumjee.—We used Singareni coal from Hyderabad.

President.—Was it satisfactory?

Mr. Pudumjee.—Quite satisfactory.

President.—Have you thought of using it again since the war?

Mr. Pudumjee.—Since the war we have not tried. We understood they had new pits and the prices have gone down.

President.—Your coal costs you Rs. 16 a ton, but still it is a considerable amount. What is the distance from the C. P. collieries to Poona?

Mr. Pudumjee.—350 miles or so, I believe.

President.—What line?

Mr. Pudumjee.—Bengal Nagpur Line.

President.—I thought it was more than that. At any rate as regards Poona the coal has to come a long way, and also there is the fact that you have got no native source of raw materials except rags which come from Bombay.

Mr. Pudumjee.—Our point is that we can take bamboo pulp and help the Indian pulp mills. C. P. coal such as Rajar or Shasti is more suitable for suction plant than any other Indian coal. The coal consumption is 1.25 per H. P. hour. At that rate we have calculated that if we used all purchased pulp the actual consumption would not amount to more than 1½ tons per ton of paper.

President.—I have read what you have said on that point but it is really of no help. It is no use telling us what manufacturers ought to be able to do.

Mr. Pudumjee.—If certain improvements are made in our power-plant—and we expect to make these improvements—I do not see why we should not reach that figure. It has been established everywhere.

President.—All I want to say at the present moment is this. The thing which has struck me personally most as regards paper making in India is that the manufacturers have not been able to attain the results which are attained elsewhere, and I want to leave it at that for the moment. Now I shall take the other points. For what kinds of paper are rags the suitable raw material?

Mr. Pudumjee.—There are different qualities of rags. If we take the mill-cuttings they are suitable for writing wove paper, which is a high quality of paper.

President.—For ordinary writing paper wood pulp is distinctly cheaper, is it not?

Mr. Pudumjee.—In fact we have been mixing wood pulp with rags for the cheaper qualities of paper, printing paper, etc.

President.—You mentioned that they were suitable for writing paper?

Mr. Pudumjee.—The better kinds are, but the second quality of rags would be suitable for printing papers with a certain admixture of pulp. It is necessary to mix pulp in order to give the necessary feel.

President.—In Europe are rags at all used as raw materials for ordinary writing and printing papers?

Mr. Pudumjee.—Not for the ordinary printing and writing papers.

President.—Then the question is, is there any real chance of rag papers in India being able to compete with ordinary writing and ordinary printing paper?

Mr. Pudumjee.—Yes. It is not expensive. We find that the manufacture of paper from locally obtained rags is as cheap as from imported pulp. I have given you the costs.

Mr. Ginwala.—Are you talking of present-day costs?

President.—The answer that you have given refers to the price in 1913-14.

Mr. Pudumjee.—That applies to present-day price. I said "The rags were of much poorer quality, but the railway freight, however, since the war has been increased and amounts to Rs. 8 to Rs. 9 per ton (at waggon rates)."

President.—You have said nothing about the cost since the war.

Mr. Pudumjee.—Since the war it is the same.

President.—What sort of materials would these rags be?

Mr. Pudumjee.—All cotton, mostly used for making printing papers. In fact, no other kinds of rags are available in any quantity in India.

President.—What is the yield?

Mr. Pudumjee.—The yield after sorting, dusting and cutting is 60 per cent. of paper, and there is a loss of about 10 to 15 per cent. in sorting, dusting, etc. Practically the yield is 50 per cent. on unsorted rags.

President.—Do you think that, if the resources of the Presidency were fully exploited, about 2,000 tons would be obtained?

Mr. Pudumjee.—Yes.

President.—The most that you can get of rags is 1,000 tons of paper a year?

Mr. Pudumjee.—Yes.

President.—That would go a very small way to supply the Indian requirements of writing and printing paper.

Mr. Pudumjee.—We expect to make use of Indian pulp here.

President.—Rags are very limited in quantity. You cannot expect to make a great deal out of that.

Mr. Pudumjee.—We could make also the inferior kinds of paper,—browns, etc.—using materials like jute, gunny, etc.

President.—Could not these cotton rags that you would use for ordinary printing and writing paper be put to a more profitable use by making a better quality of paper?

Mr. Pudumjee.—They could be made into better quality of paper, but I think the imported paper would always get the advantage in that respect, it would still be a better quality of paper than ours.

President.—What would be the reason? Would the reason be that the rags you would get would not be good enough and that the total quantity of better rags would be quite limited?

Mr. Pudumjee.—That is so.

President.—Coming to the question of brown or wrapping papers, would you make them chiefly out of gunny and hemp?

Mr. Pudumjee.—Gunny and hemp and also quite a large quantity of waste paper.

President.—But supposing better quality of rags were available, do you think there is much demand in India for better classes of paper made of rags?

Mr. Pudumjee.—I don't think so. Probably one machine would be able to supply the whole of India.

President.—Then there is not much use attempting to make them?

Mr. Pudumjee.—No.

President.—I notice from your answer to Question 8 that up to 1913-14 your writing papers were apparently 51 per cent. and printing 35 per cent., and the rest were miscellaneous—white cartridge, *badami* and brown. But since 1914 writing paper was only 15 per cent., white printing 34 per cent. and the brown and *badami* printing have gone up. Why was it that the change took place in 1914?

Mr. Pudumjee.—Our output had almost all been taken up by the Bombay Government. Since 1914 prices went up and they tried to economise and began to use inferior qualities of paper. They wanted *badamis* more than any other kinds, because they were cheaper. Moreover, as the supplies of pulp were

limited, we had to use whatever material we could get, and the paper produced was not quite up to the mark. We therefore thought it was much better for us to reduce our prices and make inferior kinds of paper than to try and make better qualities of paper.

President.—Does not that rather suggest that, if the shortage of pulp led you to use inferior materials, it was better to use grass than imported pulp?

Mr. Pudumjee.—We have used that both to supplement our materials and better our quality.

President.—In the case of all the other paper mills their output went up during the war and they were all doing very well, whereas your output dropped and from 1914 down to 1918 it was lower every year. What was the reason?

Mr. Pudumjee.—That was, as I said, owing to the scarcity of materials. Moreover we could not get the market, we could only get Government orders.

President.—Why could you not get the market?

Mr. Pudumjee.—Because we could not get the material to make the kinds of paper wanted in the market then.

President.—One of the reasons why it is desirable to establish an industry in the country is that, in the event of war, the needs of the country can be supplied in India, but so long as you are existing on imported pulp, just when you are wanted most you drop out.

Mr. Pudumjee.—That is why we want that the Pulp industry should be encouraged in India. There can be then many more mills like ours.

President.—I am not quite sure that you can with great advantage multiply small mills.

Mr. Pudumjee.—There could be several mills with 3 or 4 machines each, which would be able to supply the whole demand of the country.

President.—You have mentioned 'white shavings.' What exactly are 'white shavings'?

Mr. Pudumjee.—These are white cuttings from the printing presses.

President.—You buy these up?

Mr. Pudumjee.—Yes.

President.—You have told us in answer to Question 56 that your coal consumption in 1913-14 was 3·4 tons per ton of paper. Later on in answer to Question 109 you have given us your cost of production. In that year the figures are Rs. 51,205 for primary raw materials and Rs. 1,47,025 for purchased pulp. Can you tell us what quantity of purchased pulp you used for that year?

Mr. Pudumjee.—I am sorry I have not got the figure with me, but I can let you have the information later.*

President.—The reason why I am asking you this question is that obviously the more pulp you use the lower will be the coal consumption. It all depends on the amount of purchased pulp you used.

Mr. Pudumjee.—It would. I will let you have the information later.*

President.—In answer to Question 66 you have given us certain prices of paper. Are these the prices paid by the Bombay Government?

Mr. Pudumjee.—Yes.

President.—What does this 'plus 55 per cent.' mean?

Mr. Pudumjee.—The first group of prices were the pre-war prices, and they gave us 55 per cent. additional during the war.

President.—I notice that during the period 1918 to 1921 prices increased, then during 1921 to 1924 the prices of brown and *badami* were the same but the prices of white printing and 'laid' were 20 per cent. higher.

Mr. Pudumjee.—Yes.

President.—You say during 1921-24 the prices of white printing were 20 per cent. higher, that is, from 5 annas 5½ pies it came to 6½ annas. It was

* See Statement II (1).

about 2 annas above the market price. In 1922-23 the India Paper Pulp Company sold 100 tons of white printing to the East Indian Railway at 4 annas 3 pies per lb. so that you were exceedingly lucky if you got $6\frac{1}{2}$ annas.

Mr. Pudumjee.—Only during the last year of our contract we got that advantage. We had a three years' contract at a fixed price.

President.—If it had been an yearly contract you would not have got so much?

Mr. Pudumjee.—No.

President.—There are some prices given in answer to Question 76. I notice that there is a big difference between white printing and cream laid. I think we have got figures from other mills and in the figures they have given the difference would be only about $\frac{1}{4}$ d.

Mr. Pudumjee.—They use the same material for both kinds of paper.

President.—It is not a question of what material they use, it is merely a question of what prices they got. Here is a tender received by the Controller of Printing, Stationery and Stamps for cream laid and white printing for the current year. The f.o.b. price London for cream laid is 3-1d. and that of white printing is 2-9d., only a difference of one-fifth of a penny.

Mr. Pudumjee.—There is usually a difference of 2 to $2\frac{1}{4}$ d. per lb.

President.—Look at the figures for 1923. You quote white printing $3\frac{3}{4}$ d. to $3\frac{1}{4}$ d per lb. and cream laid $4\frac{1}{4}$ d. per lb.

Mr. Pudumjee.—These figures have been given to us by importers.

President.—I put this question merely because I thought it just as well to draw your attention to the fact that there are some instances where the difference seems to be abnormal.

Mr. Pudumjee.—We have also given figures from the Paper Trade Reviews. There are so many different kinds of laids that you do not know which is being imported.

President.—What exactly do the charges mean in the prices?

Mr. Pudumjee.—They will be clearing charges, port dues and cartage to warehouses at Bombay.

President.—The Calcutta firms quoted, I think, Rs. 4 for port dues, and cartage was about as much as Rs. 10.

Mr. Pudumjee.—It is a little less in Bombay.

President.—In answer to Question 92 you say “with regard to pulp making processes, however, the recently developed chlorination process deserves the utmost attention.” Can you tell us about this chlorination process?

Mr. Pudumjee.—It is the commercial application of an old laboratory process of determining the amount of cellulose that is contained in a raw product. The material is first crushed and boiled in a mild solution of caustic soda, washed and then treated with either chlorine water or chlorine gas, again slightly boiled with caustic and bleached by means of a small quantity of chloride of lime, and the cellulose is obtained practically pure.

President.—Can you mention any firms which manufacture paper under that process?

Mr. Pudumjee.—Yes, I can give you the names later on.* There are two or three firms in France, and two or three in Italy, who think that it is a better process than the ordinary caustic soda process. This is particularly suitable for Esparto grass.

President.—I was interested in finding out how far it had progressed. Is it a new discovery?

Mr. Pudumjee.—Its commercial development is recent, about two or three years ago.

President.—Still it is a pretty new thing. Let other people try the experiment for you and if they are successful you can take advantage of their experience. You have given us in your statement what you think it might have

* See Statement II (2).

cost you in 1913-14 if you had used nothing but imported pulp. There is one question I want to ask you about the details. You have taken for coal Rs. 33,030 and in that year your coal would have cost you Rs. 66,000. You have taken just half the expenditure on coal that you actually incurred.

Mr. Pudumjee.—I have mentioned below at the end that coal is calculated at $1\frac{1}{4}$ tons per ton of paper.

President.—It is no use telling us what you would have got to.

Mr. Pudumjee.—My object was to show that if we had an efficient power plant—

President.—I am always willing to admit that if a firm had good machinery it was always possible. But what one has got to take into account is what has actually been done in the industry in India. It is no good merely saying that given up-to-date machinery and efficient management they ought to be able to do so and so because it is done in other countries. The result of that would be that no protection would be required.

Mr. Pudumjee.—My object was to show that, if we had been given 15 or 16 per cent. protection during the first five or six years of our existence we could have brought our machinery in this efficient state.

President.—I think you will have to train your shareholders a bit. If you want to devote three or four years of production to getting the plant thoroughly up-to-date and in thorough working order, you have got to train your shareholders to be content with smaller dividends.

Mr. Pudumjee.—During the first few years they were getting only 5 per cent. We are handicapped in India by want of skilled labour to start with, and by want of preliminary knowledge. If our industry had been protected in the beginning just to enable us to compete with firms established years before us we could have stood on our own legs now.

Mr. Ginwala.—Does that carry us any further than that written in a book where ideal conditions are assumed?

Mr. Pudumjee.—Excepting coal, other favourable conditions existed. We could surely have reduced coal to $1\frac{1}{4}$ tons if we used pulp alone.

President.—Nobody has yet done that in India. In the case of small mills it is always possible to get an approximate estimate of the amount of coal used in the manufacture of paper, but nobody has got down to that figure yet. If in fact it is quite easy to do it, it is rather a severe criticism on the paper mills which have been going on for the last 40 years.

Mr. Pudumjee.—We were working from hand to mouth, but they ought to have got to that at any rate.

President.—Another question is, whether it is advantageous to have a separate mill for making pulp somewhere in the vicinity of raw materials, and a separate mill for making paper somewhere in the vicinity of the market.

Mr. Pudumjee.—I should think that it is advantageous to have a mill where bamboo and other raw materials are available in quantities.

President.—I am not considering the question of the export of pulp. I admit, and I think it is proved, that if you are going to export pulp out of India then you must have your pulp mill near the raw materials, but that is not what I am contemplating. What I am thinking of is this. Take the case of this side of India. There might be a pulp mill on the Malabar coast, and that pulp would be brought to Poona and converted into paper. Take the other side of India. There might be a pulp mill at Burma or in Chittagong and the pulp would be sent to Calcutta to be converted into paper. Do you think that the paper made partly in the pulp mill and partly in the paper mill would be cheaper?

Mr. Pudumjee.—Take the case of a pulp mill. The only principal material which has got to be carried over is coal, and that would be at the most 2 tons on every ton of pulp made. They would have to take two tons more coal and all other auxiliary materials, such as china clay, sulphate of alumina, bleach, rosin and in fact all materials required for making paper, if they also made paper in the same mill. That would be difficult. Then they would be away

from the consuming markets. Take, for instance, the market in Bombay. There are several small presses who often want 100 or 200 reams of a particular kind and size of paper, which they cannot get immediately from stock in Bombay. They have got to wait for one or two months till they get it from Calcutta, or elsewhere. Although they are prepared to pay two pies or so more if they can get it ready locally.

President.—I quite understand that. We asked the India Paper Pulp Company to go into the question comparing what it would cost them to make a ton of pulp at Jaitpura, which is close to Chittagong, where the bamboos come from, and what it would cost them to make a ton of pulp at Naihati. The estimate seems to have been very carefully worked out after considering all points. The result is that the advantage Jaitpura has in the case of pulp is Rs. 43 a ton. The freight on the pulp sent from Jaitpura to Naihati would be Rs. 15 a ton, so that the net saving is Rs. 28. The next thing you have got to take into account is this. In a combined paper and pulp mill they require 3 tons of coal for every ton of paper, using the best Bengal coal. Supposing you have got the pulp and paper mill in separate places it is very doubtful whether you would use only 3 tons of coal. The coal consumption might be increased by at least half a ton. The cost of a combined pulp and paper mill is given as Rs. 45 lakhs and of the pulp mill alone as Rs. 27 lakhs. It might mean Rs. 5, 6 or 7 lakhs more capital if you had two separate mills. You have still got to provide for the duplication of the supervising staff. You must have two engineers instead of one. You must have two power plants instead of one. You must have two drying machines. With the duplication of all these things taken together, so far as I can judge from the figures put up by the India Paper Pulp Company, there is no particular economy in manufacturing the pulp in one mill and paper in another.

Mr. Pudumjee.—This might apply to a small pulp mill which is only a feeder to a particular paper mill. But if it is the case of a pulp mill meant to produce a large quantity of pulp and supply say three or four big paper mills, the conditions are different.

President.—If they produced 10 to 15 thousand tons there might be greater economy. There is always a danger in this. Supposing there were a pulp mill which was selling pulp to you, there is nothing to prevent it from starting the manufacture of paper as well. If it did it might be able to undercut you.

Mr. Pudumjee.—It is not possible for a very large pulp mill to use all its pulp and produce also a large quantity of paper. There are very many difficulties.

President.—Look at what happens in Norway and Sweden. They export a great deal of pulp and they also make a great deal of paper.

Mr. Pudumjee.—Only a very small fraction of it. Only those that have a close market.

President.—They have a big European market. Why should they take so much trouble to send so much paper to India at cut-throat prices?

Mr. Pudumjee.—It is not mostly the pulp mills that send out paper to India. There are paper mills, which are different from the pulp mills, which mostly send out paper to India. The pulp mills produce a small fraction of the paper that is imported here.

President.—If the object is to meet the internal demand of India, I am not convinced myself that there is any advantage in separating the manufacture of pulp from the manufacture of paper. But the moment you begin to export the pulp the whole situation changes.

Mr. Pudumjee.—What would be the encouragement to the establishment of a large pulp mill in India unless first the demand is locally created?

President.—It won't be done immediately. The whole question depends on the cost at which pulp can be produced on a large scale out of bamboos, and the time when the expected rise in the price of wood pulp takes place. If the export of pulp from India becomes a practical proposition then it is quite likely that the industry would develop on the lines you suggest, that is to say, you would have paper mills in Calcutta, Bombay and other places and pulp mills in the bamboo areas.

Mr. Ginwala.—Is there any real market for pulp manufacture in India?

Mr. Pudumjee.—13,000 tons before the war were imported.

Mr. Ginwala.—Every mill except yours manufactures its own pulp, except what is required for special qualities. Most mills say that they have got to use a certain amount of wood pulp in order to make certain qualities. We have been told that bamboo pulp can be used for same purposes as wood pulp is used for mixing with grass pulp. But, assuming that other mills in the country manufacture their own requirements of pulp, is there any real field for a big mill manufacturing pulp?

Mr. Pudumjee.—If every mill manufactured its own pulp why were 14,000 tons of pulp imported before the war?

President.—Where would you get your pulp from eventually?

Mr. Pudumjee.—From those who prepare bamboo pulp in India.

President.—Where are they going to be?

Mr. Pudumjee.—Those particularly who are situated on the West Coast?

President.—Do you think you would be able to get it as cheap as the imported pulp?

Mr. Pudumjee.—I do not think it will cost more. It will be slightly less, if not much.

President.—So far as sea freights go, it might be easier to send it to China than to send it to Poona. It is sometimes not only cheaper, but much cheaper, to send the stuff 10,000 miles away rather than to send it a few hundred miles along the coast.

Mr. Pudumjee.—There are several sea ports on the Malabar coast.

President.—Is the shipping service very efficient along there? Is navigation easy during the monsoon?

Mr. Pudumjee.—It would not however cost as much as to import pulp from England to India.

President.—Before my colleagues put their questions would you like to add anything to what you said?

Mr. Pudumjee.—My idea was to encourage the manufacture of pulp and to create as many mills like ours as possible.

President.—Do you mean small mills like yours?

Mr. Pudumjee.—I mean mills producing 4,000 to 5,000 tons of paper, or two-machine at least, using purchased pulp.

President.—It would not require a large number of mills to supply the whole of India. Another 3 or 4 would practically meet the demand for paper in India. When you have eliminated newsprint and all the special kinds of paper not likely to be made in India, the balance left is quite small.

Mr. Pudumjee.—About 75 to 80 per cent.

President.—I don't think it would be as much as that.

Mr. Pudumjee.—Oh, yes. About 4 or 5 mills with three or four machines each would be necessary.

President.—A 4-machine mill would produce about 10,000 tons.

Mr. Pudumjee.—There would be about room for 4 at least.

President.—Now let us think for a moment about Northern India. Do you think it would be feasible and economical to make pulp in Burma and supply it to paper mills at Lahore?

Mr. Pudumjee.—No, I don't think so. It would be suitable for supplying a paper mill at Madras say.

President.—I don't think bamboo pulp could possibly bear the cost of transport up-country.

Mr. Pudumjee.—It would be only preliminary to the export trade. The coal consumption shown by Messrs. Andrew Yule & Co.—

President.—They gave two reasons for that. Theirs is only a very small unit at present, only a one-machine unit, and the production is 2,700 tons of

paper. Secondly, they have been using 2nd class Bengal coal and they think they will be able to bring down the consumption of coal to 2 tons by using the very best quality of Bengal coal for a combined pulp and paper mill. It remains to be proved whether they will succeed in doing it.

Mr. Pudumjee.—They are using the sulphite process which consumes about two-thirds of the coal used in the soda process.

President.—The sulphite process they are using is a special process, and they have not disclosed its nature to the Board. It is not by any means clear to me that, if the soda process is brought up-to-date—and no one is up-to-date in India at present—it is by no means clear to me that the coal consumption will be lower in the sulphite process.

Mr. Ginwala.—Have you visited any of the paper mills in Europe and America?

Mr. Pudumjee.—Not in America, but in Europe—in London and in Scotland.

Mr. Ginwala.—When was that?

Mr. Pudumjee.—That was about 10 or 12 years ago. Then they were using only 18 cwt. of coal per ton of paper for news.

Mr. Ginwala.—Don't you admit that there have been many changes in the methods of manufacture since then?

Mr. Pudumjee.—There is no doubt about it.

Mr. Ginwala.—So that you cannot say what held good 10 years ago does hold good now in some of the industrially advanced countries. If you manufacture on 10 times the scale on which you manufactured before and if your organization is 10 times more efficient, then there has been a radical change, apart from any radical change in the process of manufacture. Is not that the case in Europe?

Mr. Pudumjee.—Yes.

Mr. Ginwala.—That is not so in this country?

Mr. Pudumjee.—No.

Mr. Ginwala.—As a matter of fact mills in India, so far as efficiency goes, have gone back. Yours are not the only mills which have got old machinery, there are others which have got equally old machinery, so it must be assumed that the machinery is not quite as efficient as it was 40 years ago. Therefore the industry has gone back so far as equipment is concerned. If equipment is an essential part of efficiency, then Indian paper mills have fallen in quality, haven't they?

Mr. Pudumjee.—Yes.

Mr. Ginwala.—Is not that one of the reasons why they are not in as good a position to compete as they would otherwise be?

Mr. Pudumjee.—Yes. That is our point. We want entire re-organization.

Mr. Ginwala.—Ought not that re-organization to precede any measure of protection?

Mr. Pudumjee.—We have had no chance of doing it.

Mr. Ginwala.—The point is this. Ought not this re-organization of the industry to precede any measure of protection?

Mr. Pudumjee.—If the Indian mills had been protected in their infancy they would not have fallen back.

Mr. Ginwala.—Granted that the Paper industry has made out a case for protection. Ought not we first to see whether the industry is properly organized, that it is well equipped and that it is well looked after before we make any recommendation?

Mr. Pudumjee.—Quite right, but—

Mr. Ginwala.—I am not criticising you, I am merely asking for your opinion. Can you say that these conditions have been fulfilled, taking the industry as a whole?

Mr. Pudumjee.—Why should they call for protection then, for they could then stand on their own legs?

Mr. Ginwala.—Well, they can say they have got as good machinery as anybody in the world, they have got as good organization as anybody in the world, they have got sufficient capital to finance the industry, but that, owing to a temporary cause, they are unable to compete against foreign manufacturers. Then we might reasonably say, 'give this industry a chance for a few years.' But if these conditions are not fulfilled can the industry claim any assistance?

Mr. Pudumjee.—What they claim is 'give us protection to enable us to put our house in order.'

Mr. Ginwala.—It is putting the cart before the horse, is it not?

Mr. Pudumjee.—They wanted protection all throughout.

Mr. Ginwala.—Well, we cannot say that as protection was not given in the past it ought to be given now. In that case there would have been no need for starting an enquiry at all. I am talking of the industry as it stands at the present moment.

Mr. Pudumjee.—I say the Free-Trade Government never gave us a chance.

Mr. Ginwala.—Take the industry as it is at present. Is it economically run?

Mr. Pudumjee.—I admit it is not.

Mr. Ginwala.—Then don't you think that before any protection is granted the country would be justified in asking the mills to reorganize themselves?

Mr. Pudumjee.—How can they? Capital would not be forthcoming.

Mr. Ginwala.—The country may be quite willing to protect the industry. Supposing it gives protection, and in the meanwhile no action is taken to reorganize and equip the mills? It would have cost the country a good deal and is it not better for the industry to prove that it is reasonably well equipped and reasonably well organized before it gets protection?

Mr. Pudumjee.—As to organization I should say they are quite all right.

President.—After all, if your machinery was bought in 1885, you are 40 years behind. The mills on the other side of India made enormous profits during the war but they lost whatever chances they had.

Mr. Pudumjee.—But the shareholders wanted to have all the money they could get, seeing this was their only opportunity.

Mr. Ginwala.—Have you visited most of the Calcutta mills?

Mr. Pudumjee.—No, none of them. I only visited the Lucknow mills.

President.—You cannot say that it is well equipped.

Mr. Ginwala.—Take the Lucknow mill and your own mill. They require radical alterations in some directions.

Mr. Pudumjee.—I should say so.

Mr. Ginwala.—Supposing we recommended 25 per cent. protection, how will that enable you, if you have not got any reserves, to reconstruct? It may be that you may be able to get capital much more easily. But if the whole industry is as badly situated, is it safe for the country—I am just putting you a question—is it safe to give protection without taking some guarantee that the industry will re-equip itself?

Mr. Pudumjee.—Probably a guarantee would be forthcoming, at least from our side. We would guarantee that we would bring new machinery within a certain period.

Mr. Ginwala.—I will leave it at that. Then, you have expressed the opinion that pulp ought to be manufactured in the vicinity of raw materials and paper in some business centre. Is that opinion based on any detailed examination of an actual proposition or is it merely a theoretical view?

Mr. Pudumjee.—As I have said it is easier to carry two tons of coal than to carry twice larger quantities of coal, and considerable quantities of other materials.

Mr. Ginwala.—Have you studied that question?

Mr. Pudumjee.—Theoretically.

Mr. Ginwala.—Unless you have examined a particular mill at a particular place with reference to all its conditions and compared it with a paper mill separately established and also with a paper mill and pulp mill working together, you cannot get very accurate results. That is not what you have done.

Mr. Pudumjee.—We are only speaking theoretically from conditions existing in Europe, and we know what is the advantage to them.

Mr. Ginwala.—With regard to the selection of your site in Poona you have answered some questions put by the President. Supposing you manufactured paper from pulp only and supposing electricity was available, would you still require to use any coal?

Mr. Pudumjee.—We still have to use coal.

Mr. Ginwala.—For what?

Mr. Pudumjee.—For drying paper in any case. We require about half a ton of coal for every ton of paper.

Mr. Ginwala.—Would you not require any for other processes?

Mr. Pudumjee.—No.

Mr. Ginwala.—Supposing electricity was available in this country at, say, half an anna per unit, would you still use coal or would you change over to electricity?

Mr. Pudumjee.—We would still have our own generating plant. It is cheaper to have a suction gas plant and to produce our own power than take electricity at even half anna per unit.

Mr. Ginwala.—Have you worked out figures?

Mr. Pudumjee.—Yes. It is cheaper. Of course you cannot get in India electricity at half anna per unit now.

Mr. Ginwala.—In the gas engine you will have to use some sort of crude oil. That will be more expensive in Poona than at a port.

Mr. Pudumjee.—In Bombay crude oil can be got at Rs. 60 per ton on contract. Here you can get it at Rs. 70 per ton. The consumption is .45 ton per H. P. per hour.

Mr. Ginwala.—But if you had to manufacture your own pulp, in that case would you still require your own coal?

Mr. Pudumjee.—For the causticising process, for the soda recovery process and for drying, and for digesting we want coal. All the mechanical processes, such as beating, etc., can be done by purchased electricity.

Mr. Ginwala.—How much coal would you be able to eliminate on the whole process, from the raw materials to paper, if you used your gas engine?

Mr. Pudumjee.—We would still want $1\frac{1}{2}$ tons of coal for steam raising, for boiling and for drying the paper.

Mr. Ginwala.—As against 3.4 tons if you had no gas engine?

Mr. Pudumjee.—Yes. It makes some difference if bamboo crushing was necessary, if we manufactured pulp from bamboos. If we made paper from rags there would be a great deal of saving. In the case of rags we only want 6 cwts. for boiling materials for two tons of paper.

President.—Am I right in believing that the digester process is much easier in rags than in the case of other raw materials? You would use much less coal.

Mr. Pudumjee.—All the chemical processes are much less. It wants only 3 to 5 per cent. of caustic soda for boiling rags, whereas in the case of other materials you want nearly 15 per cent. It wants only a small quantity of bleaching materials, say 5 to 6 per cent., whereas in the case of other raw materials you want much more.

President.—That to some extent explains why your coal consumption is low as compared with other mills.

Mr. Ginwala.—Have you got a paper mill in Bombay?

Mr. Pudumjee.—Yes. For the inferior kinds of paper we are mostly using waste paper and pulp. We only use 30 to 40 per cent. of pulp and the rest is shavings and waste paper. It is a small mill.

Mr. Ginwala.—What is its capacity?

Mr. Pudumjee.—During the war it produced 1,600 tons per annum and now it produces 1,200 tons. Now we are producing inferior kinds of paper.

Mr. Ginwala.—Do you require water for that?

Mr. Pudumjee.—It wants about 8,000 gallons of water for every ton of paper as against 30 to 40 thousand gallons for a ton of paper made from rags.

Mr. Ginwala.—Do you get it from the Corporation?

Mr. Pudumjee.—Yes.

Mr. Ginwala.—It comes to 8 million gallons a year.

Mr. Pudumjee.—We have got to pay Rs. 500 to 600 a month for water.

Mr. Ginwala.—What I am trying to point out is this. You require 48 million gallons of water a year if you were producing 1,600 tons of paper. I am not speaking of Bombay as it is impossible to get 48 million gallons a year of good water.

Mr. Pudumjee.—Yes. We have got to go at least 50 or 60 miles from Bombay. Then again we want clean water.

Mr. Ginwala.—But then they are using the Hooghly water in Calcutta. There is nothing dirtier than that water.

Mr. Pudumjee.—It means much expenditure in filtration and other settling processes.

Mr. Ginwala.—Supposing protection was given and you were re-equipping yourself, would you still have your Mill in Poona?

Mr. Pudumjee.—We have got to develop what we have got here.

Mr. Ginwala.—Now it is a case of practically renovating most of it, I won't say the whole of it.

Mr. Pudumjee.—Yes, it is practically renovating the whole.

Mr. Ginwala.—Would you still have your Mill here?

Mr. Pudumjee.—We are quite all right here. We have got cheap labour, a good supply of water, and are not very far away from our selling centres. We find that labour in the vicinity of Bombay is much dearer.

Mr. Ginwala.—What is the freight on your pulp from Bombay?

Mr. Pudumjee.—Rs. 53 a waggon just at present. It will hold about 8 tons.

Mr. Ginwala.—It comes to nearly Rs. 7. What is the freight on your finished product?

Mr. Pudumjee.—It is about the same. That means both ways Rs. 14 a ton.

Mr. Ginwala.—Taking these two items together, supposing you had 90 per cent. yield from pulp, you would lose 5 per cent.

Mr. Pudumjee.—Yes.

Mr. Ginwala.—On the pulp, and on the finished goods you would lose about Rs. 15 a ton or more.

Mr. Pudumjee.—If we were working in Bombay we would have to pay more for water than the freight we pay now on our raw materials.

Mr. Ginwala.—From the statement you have given of the dividends you paid, I find you paid a dividend of 9 per cent. up to 1922-23.

Mr. Pudumjee.—This was the arrangement with the lessees and they had to pay it since 1919-20 when that arrangement began.

Mr. Ginwala.—Then Messrs. Pudumjee & Co. were paying a high rental?

Mr. Pudumjee.—Yes. They have been losing.

Mr. Ginwala.—They were paying 8 per cent. on the share capital.

President.—What proportion does the amount paid in dividends bear to the rental received?

Mr. Pudumjee.—Messrs. D. Pudumjee & Co. are giving Rs. 85,000 rental. Out of this the managers' and others expenses have got to be paid.

President.—What would 8 per cent. dividend mean?

Mr. Pudumjee.—Rs. 40,000.

Mr. Ginwala.—But the subscribed capital is Rs. 5 lakhs, and Messrs. Pudumjee were paying Rs. 85,000. That is 8 per cent. on a capital of Rs. 10½ lakhs.

Mr. Pudumjee.—But this Rs. 85,000 includes office expenditure, pay of the managers, secretaries and treasurers, etc. We set aside a certain amount for reserve and we have got to pay commissions.

Mr. Ginwala.—What has the Secretary got to do except to distribute the dividend?

Mr. Pudumjee.—According to the arrangement with the Company he gets 10 per cent. of the divided profits. So he is entitled to it.

Mr. Ginwala.—It is good to explain that. Otherwise you cannot complain that your industry needs protection.

Mr. Pudumjee.—That is why we have mentioned that the dividends have been paid from the lease rent received from the lessees.

Mr. Ginwala.—If the lessor has been able to get Rs. 85,000 on a subscribed capital of Rs. 5 lakhs, he is getting 17 per cent. gross.

Mr. Pudumjee.—Rs. 13,000 of that is set aside for depreciation and reserve. Rs. 3 to 4 thousand goes as income-tax.

Mr. Ginwala.—Does that Rs. 85,000 include depreciation?

Mr. Pudumjee.—Yes.

Mr. Ginwala.—You have not given us your cost of production at all up to 1922-23.

Mr. Pudumjee.—The Company was not working the concern. The lessees have been working it and so we have got to get the figures from them.

Mr. Ginwala.—But the lessees have not come forward and we did not know what the arrangement was between the lessees and the Company.

Mr. Pudumjee.—It was not working very well.

President.—The production was on a low level and the cost is bound to be very high. That is all one can say about it.

Mr. Kale.—You have stated that the Paper industry should have received protection long ago. Did the industry make any representation asking for Government protection at any time?

Mr. Pudumjee.—Here and there certain representations, I think, were made, but not as a whole. In fact there was no question of protection being ever entertained before the war.

Mr. Kale.—Why not? From the very start the Bombay Government had been helping you. You received every encouragement from the Government of Bombay, and if the Paper industry had made strong representations at that time it would have got some sort of assistance. Perhaps it was not necessary?

Mr. Pudumjee.—Their figures and working always showed that it was necessary, but the idea then was that no such thing would be entertained by the Government of India. The policy of Government then was a Free Trade policy.

Mr. Kale.—But Government were giving you encouragement in other ways?

Mr. Pudumjee.—If I am bold to say so, even the Calcutta mills would not have been able to stand on their own legs if Government had not helped them.

Mr. Kale.—It is the industry that has lost the opportunities, not the Government?

Mr. Pudumjee.—I am not prepared to say anything about that.

Mr. Kale.—We have found that during the last 7 or 8 years many of the paper mills have distributed very huge profits, and they did not lay by suffi-

ciently because, they said, the shareholders would not allow them to do anything of the kind. Am I to understand then that when it is a question of protection the Directors come forward, but when it is a question of dividends it is the shareholders?

Mr. Pudumjee.—When the profits were high during the war the shareholders tried to secure as much as they could get, they knew this was their only chance.

Mr. Kale.—Then what guarantee is there that when the Government gives protection the shareholders would not again take advantage of it to get huge dividends? And who is to give a guarantee, because the Directors will be helpless?

Mr. Pudumjee.—Probably they might be asked to guarantee they would spend so much for improvements and so on.

President.—The point is this. Suppose each of the existing companies gave a guarantee, what is there to prevent new companies coming in and starting work? Supposing one of these companies breaks the guarantee, you cannot take off protection. I do not quite see how it can be worked out on the basis of individual guarantee.

Mr. Pudumjee.—I am afraid it is a very difficult problem for me to answer just at the moment.

Mr. Kale.—Do you not find a sufficient market for your goods in Poona and in the south?

Mr. Pudumjee.—No.. It is always a small amount of several kinds at a time in various weights and sizes, that is what we get.

Mr. Kale.—I thought there were so many publishing firms and presses who might take paper from you.

Mr. Pudumjee.—They take more or less mechanical paper which we cannot compete with.

Mr. Kale.—You give the actual output of the Mill as 691 tons in 1905-06, 918 in 1906-07 and then you have for four years 1,100, 1,100, 1,300 and 1,100 tons. How do you explain these figures? Was the increase due to the *swadeshi* movement?

Mr. Pudumjee.—Government consumption was higher, but I think it was also due partly to *swadeshi* movement.

Mr. Kale.—It is my impression that there was very great demand for your paper years ago, but that you were not able to meet it. As you were committed to supply to Government you could not meet that demand?

Mr. Pudumjee.—That was not the case. Probably it was only a question of price. The movement only meant that if we could supply the same kind of paper and at the same price as the imported paper, they would place an order with us in preference to others.

Mr. Kale.—Were people not prepared to pay you as much as the Government paid?

Mr. Pudumjee.—That was about the price. But Government gave us orders for large quantities, payments were regular, and we preferred to supply to them than to the outside public, who wanted the inferior kinds only.

Mr. Kale.—Would you not be content to have the same price as you got from Government if the bazar was prepared to pay it?

Mr. Pudumjee.—Yes. In fact we were supplying to the Poona Municipality. We even used to supply to the Ahmedabad merchants. A certain amount of the increased production was due to that, I think.

Mr. Kale.—Is it your experience that even for a larger mill than yours it is not necessary to employ imported labour in order to carry on their affairs efficiently?

Mr. Pudumjee.—We are making as good paper as any other mill and we are doing it ourselves. At the start it is quite necessary to have imported labour, but once started I think it is no longer necessary to employ imported labour.

Mr. Kale.—Are you of opinion that those who are still employing imported labour are wasting their money?

Mr. Pudumjee.—I am not prepared to answer that. I do not know what their conditions of working are, but, so far as we are concerned, we can certainly do without it.

Mr. Kale.—Is it, in your opinion, the case that they are accustomed to using imported labour and do not like to part with it?

Mr. Pudumjee.—There is every possibility of reducing imported labour, and I do not know why they have not done it.

Mr. Kale.—You think that it is not necessary for a firm which has gone on for 30 or 40 years to keep a large number of imported labour?

Mr. Pudumjee.—I think two or three would be quite sufficient.

Mr. Kale.—Do you think there is economy in using Indian labour in place of imported labour?

Mr. Pudumjee.—There is a distinct advantage although of course it means more hands, and attendance is irregular.

Mr. Kale.—You think there is room in this country for mills like yours, which would use rags, or imported or locally manufactured, pulp?

Mr. Pudumjee.—Yes.

Mr. Kale.—Do you think development of the Paper industry in India should go along these lines, provided the price of the pulp produced compares favourably with imported pulp?

Mr. Pudumjee.—Yes.

Mr. Kale.—Is it your opinion that if any encouragement is to be given to this industry it should be given to the manufacture of pulp?

Mr. Pudumjee.—Yes. A large industry is possible in India for the manufacture of pulp.

Mr. Kale.—If there is conflict of interest between importers and users of pulp and manufacturers of pulp, how would you meet the situation?

Mr. Pudumjee.—For the first few years probably a bounty would be given to pulp manufacturers in India until they were able to put on the market pulp of the quality which would compete with imported pulp.

President.—Have you used any bamboo pulp?

Mr. Pudumjee.—We tried in a small way to see what sort of paper could be made.

President.—Have you ever got hold of some bamboo pulp and made paper out of it?

Mr. Pudumjee.—No. We tried to get some from Tonkin but we found the price much too high.

President.—Are you of opinion that bamboo pulp can replace wood pulp for all purposes?

Mr. Pudumjee.—From the samples I have seen made by Messrs. Andrew Yule & Co. I think it would.

President.—You find that for making certain kinds of paper it is necessary to mix your rag, jute and hemp with imported wood pulp. For that purpose are you satisfied that bamboo pulp would be suitable?

Mr. Pudumjee.—Imported sulphite pulp has quite different quantities from even imported soda pulp. Sulphite pulp is needed for certain kinds of paper, for instance, bank post, but bamboo pulp would serve for all classes of ordinary printings and writings except for bank post and certain similar special classes of paper.

President.—You have told us that the sulphite process is cheaper than the soda process in point of coal. Is sulphite ever applied to Esparto in Europe?

Mr. Pudumjee.—No.

President.—In several representations it has been urged that the Indian mills should have gone in for the sulphite process. But if it is not suitable for Esparto it is probably not suitable for *sabai*.

Witness No. 7.

PUNJAB PAPER MILLS COMPANY, LIMITED, LAHORE.

WRITTEN.

Copy of Representation from the Punjab Paper Mills Company, Limited, dated 23rd April 1924, to the Government of India, Department of Commerce.

I read a communiqué issued by your Department that paper industry too has been referred by the Government of India to Tariff Board for enquiring as to whether this industry should receive protection or not.

I write to ask you to kindly forward my representation to the Tariff Board with a view that the paper industry may be protected. My reasons for asking protection are as follows:—

Paper industry has been established in this country for over half a century but it has not made any appreciable progress and more than $\frac{3}{4}$ th of the quantity of paper consumed in India is still imported in this country. It seems very, very strange that this country, which is perhaps one of the richest places wherein abundant and suitable raw material for paper manufacture can be had, has made so little progress to make herself self-supporting and self-contained. The reason for this, I believe, is not far to seek. The Continental and American countries, which have organized their paper industries to such a high pitch of efficiency and being by financial facilities which are not available in this country, are capable of producing goods in mass quantities and have most of the markets of the world open to them by various facilities both political and economic; they are in a position to dump the markets of India with cheap stuff and thereby undersell the Indian made paper. The result is that not only the present mills do not flourish but there is no inclination on the part of the investing public to put in capital in new schemes however profitable they may be.

I have personal experience of this state of affairs. I have been fortunate in getting very profitable concessions, yet I cannot get the money simply because everybody looks at the results of the existing mills before they look at the new schemes.

In order to help the existing mills to enable them to pay dividend and encourage the new scheme to be matured, a protection of at least 83 per cent. is absolutely necessary.

I consider that it is the duty of the Government to protect this struggling industry, for at least 10 years, to enable it to establish itself in this country. When once this industry is fully established and fully organized, the protective duty can be removed.

To my mind this is the only feasible solution to make India self-contained in the matter of paper supply and to avoid the recurrence of the paper famine that we experienced during the war.

I shall feel obliged if you will kindly send me the questionnaire prepared by the Tariff Board about the protection of paper. If my oral evidence is required, I shall be glad to appear before the Board either before the 10th of May or after October as I intend leaving for England by the middle of next month.

Statement II.—Replies to questionnaire from the Punjab Paper Mills Company, Limited, dated the 7th June 1924.

In compliance with your letter No. 377, dated 16th May 1924, we have the honour to send herewith replies to the questionnaire drawn up by the Tariff Board in connection with their enquiry into the paper industry. with five spare copies for necessary action.

The plan referred to in reply to clause No. 17 will follow.

Our Managing Director, Mr. Kashi Ram, who has prepared these replies, has left for England and will be back within the course of the first week of October next. If a day suitable to the Board is fixed on some date in October for his oral evidence and informed of, we will endeavour to meet your wishes in this respect.

REPLIES TO QUESTIONNAIRE.

I. INTRODUCTORY.

1. The firm was established on 9th May 1923. It is a Public Registered Company.

2. The Company is still in its very early stage and the Capital so far subscribed is held by Indians. Whatever little establishment there is, it is all Indian.

3. The firm proposes to manufacture Pulp and Paper. Pulp is proposed to be manufactured to the extent to meet our own requirements.

4. The Writer is Initiator and Promoter of the Scheme and controls the affairs.

5. The mill is proposed to be equipped with capacity of 6,000 tons of paper a year.

6. Not in a position to answer at present.

7. The Paper Mill is proposed to be situated near the Headworks of the Western Jumna Canal and the Eastern Jumna Canal, 14 miles from Saharanpur and 20 miles from Jagadhri Railway Station. I know the situation most advantageous in respect of raw material, hydro-electric power, important consuming centres and cheap and abundant labour and facilities for every kind of transport. In my opinion the most important factors in selecting the site of a Paper Mill in India are the nearness of the place to raw material and power or fuel and the abundance and clean supply of water.

8. The various kinds of paper which we propose to manufacture will be white printing, ledger, bonds and superior Badamis, but we consider that the consumption of the white printing and bonds in Lahore and Delhi, the two markets that we intend to capture, will keep our mills more than occupied.

9. The Trade Classifications of paper are:—

1. Calendered, (2) Bleached, (3) Unbleached, (4) Badami and (5) Brown, (6) Bonds, (7) Ledgers, (8) Machine finished, (9) Ivory finished.

The first two and the last four may be considered good, the third one medium, and the remaining inferior. There are so many other varieties of paper that are used in the market, for instance, in case of Badami, a superior Badami which is a very good quality of paper, in case of browns there are superior kinds of browns and there are inferior kinds of brown.

10. In India there is abundance of raw material to manufacture all classes of paper but the industry has not been developed as yet and therefore we do not make the classes of paper that are imported because they cannot stand the competition of the old established, most up-to-date organized and financially strong concerns in Europe. As one of the largest consumers of paper in the Punjab, I know that white printing and writing paper can be sold to any extent, and Sabai grass is one of the finest raw material from which these qualities can be made.

I am not in a position to answer the first part of Question No. 10 because I do not manufacture any kind of paper at present, but from what I know of the paper manufacturers in Western Countries, I can confidently

say that one single firm of manufacturers of papers in Western Countries makes more than all the paper manufacturers put together in India. To my mind the reason is not far to seek. Our Government is so generous as to allow other countries to dump their goods without any duty, let or hindrance, these big markets are open to them and having, as mentioned in my representation, an up-to-date organization and financial backing, they can produce one quality of paper *en masse* and thereby reduce the cost of production to the disadvantage and detriment of the Indian manufacturer. If we have the protection against dumping of foreign goods, in course of time our organization will be so completed as to specialise certain kinds of paper and produce them in large quantities and thereby be able to compete with the foreigners even if there was no protection; at present the Indian industry of paper manufacture is absolutely at death's door. If no protection is granted, whatever little industry there is will vanish for all time to come.

11. We propose to manufacture paper by Soda process.

12. We propose to use Naib or Sabai grass.

13. Our usual requirements of this particular raw material would be about 15 to 20 thousand tons a year.

14. Not in a position to answer.

15. Not in a position to answer.

16. I am not at present in a position to say the probable quantity of Naib gross available in India, but I consider the quantity is in abundance. I can, however, find out if statistics are available for the total quantity in India. I know what I have in regard to the raw material and can draw from the south side of the river only two miles away from the proposed paper mill site another 15,000 tons of raw material.

17. A map is herewith sent showing the area and the situation of the forest from which we propose to draw our raw material, the nearest point of which is two miles and the farthest 20 miles.

18. The raw material is cut by hand and collected by coolies and brought by them to the depôts established on the road side from where the motor lorries can bring the raw material to the site of the mill.

19. In my proposed paper mill, we only pay Rs. 1,600 per annum and increase it to the proportion of profits we make above 25 per cent. The Native States have been given fully paid up shares in lieu of the concessions for raw material obtained from them.

20. My estimated cost of cutting and bringing raw material per ton from the jungle to the mill site is about Rs. 14 per ton, but as we haven't worked out the area yet, we cannot exactly give the actual figures, but these estimates have been worked out as accurately as possible.

21. I am enclosing the three agreements concerning raw material entered into between myself and the grantors of the concessions for your information. You will find given therein the terms of concession which I consider most favourable.

22. So far as my knowledge goes I do not find any deterioration in the raw material. This is a self-grown thing and the average rainfall is about 60 inches in that locality. Therefore, I don't anticipate any shortage of crop.

23. I have no actual experience yet, but I am advised if the other qualities of the grass that intergrow with the Sabai grass are weeded out in the beginning of the monsoon season, when it grows, 2-3 years' constant weeding out the foreign grass will help to increase the growth of the Sabai grass.

24. Requires no answer.

25. I am absolutely assured of the sufficient supply of the raw material for all the time and my concessions will show the measures that I have taken in securing it.

26. Sabai grass is one of my raw materials and I am afraid I do not entirely agree with the opinion expressed by Mr. Pearson. I believe that sufficient investigations have not been carried out of the available quantity of raw material in India. The sub-montaneous tracts of the Himalaya contain enormous amount of Sabai grass, a paper mill could be established to make at least 15,000 tons of paper yearly somewhere near Roorkee, Saharanpur and Jagadhri. If the existing mills have to import their raw material from Tehri, Garhwal and Nepal, and if the existing mills have to go to Hoshangabad, Central India, Sambalpur, Bihar, Orissa and Punjab, it shows a wrong choice of the site by the promoters of those paper mills rather than the lack of sufficient raw material in the country. To my mind the choice of the locality of any concern has a lot to do with the paying or non-paying results of the industry. Paper mills consume very large quantity of coal and raw material, plenty of water and chemicals and if these things are looked into before establishing the industry, I see no reason why that industry should not prosper.

27. The crop of Sabai grass, as mentioned previously, can be increased to a considerable quantity by scientific harvesting and the yield can be got more by strict supervision, at least 50 per cent. of it is wasted by allowing the cattle to graze, the privileged villages to cut for their requirements and by stealing on the part of the non-privileged villages. As the Sabai grass grows on the low ranges of the hills the transport difficulties cannot be so unsurmountable and the cost cannot be so prohibitive as it would be in the case with wood and other raw materials. The paper industry, if protected, has a bright future by utilising bamboo and wood apart from the Sabai grass as raw material. All the Scandinavian paper that comes out to India at the present moment is made of wood and species of the wood have been found in the Himalaya Ranges which are as good for paper producing as Scandinavian wood, but the transport facilities are not yet developed and therefore the cost of the transport of wood from the jungle to the mill site adds to the cost of production of paper to the extent which makes it impossible to compete with Scandinavian paper.

28. I have no experience in this respect.

29. I should think so.

30. I have no experience of bamboo and therefore cannot think, but I should consider that in northern part of the country the Sabai grass is found more than bamboo and the accessibility of the supply depends upon the situation of paper mill. The quality of pulp manufactured from bamboo is quite good but not so strong as Sabai grass.

31. I have not yet investigated.

32. Rags are available in large quantity in my province and at reasonable cost. I know they are exported from Punjab to United Provinces paper mills.

33. I have had no difficulty in getting my concessions and I think the Grantors were very kind to me.

34. Not in a position to answer at present.

35. I am not yet in a position to answer, but I hope I shall not have to import any foreign pulp to make paper in our proposed paper mill.

36. We propose to make our own chemicals such as bleach, etc., on the spot.

37. We have no actual experience as the mill is not working at present.

38. Sodium Carbonate, Sodium Sulphide, Caustic Lime, Bleach and China Clay. Practically all the chemicals can be made on the spot except the dyes. I am not in a position to answer the other part of the question as the mills haven't started yet.

39. Not in a position to answer.

III. LABOUR.

40. About 1,000 men will be required to collect the raw material for four months and the prevailing rate per man there is annas eight a day.

41. I anticipate difficulty in obtaining labour.

42. The labour is indigenious. It is always available in sufficient quantity except at harvesting season which occurs practically at the end of the grass-cutting season.

43. The local labour is generally useful to this sort of work. It can be readily trained if not already used to the work.

44. They require considerable expert supervision involving the employment of skilled labour.

45. Not in a position to answer.

46. Not in a position to answer.

47. As the mill is not working yet, I am not in a position to give answer with regard to mill labour.

IV. POWER (INCLUDING FUEL).

53. It is proposed to run the paper mill from electricity.

54. The source of electric power is water. Cost of development of the Hydro-Electric Scheme as estimated at present, will be about Rs. 360 per K. V. T. per annum, and I consider it one of the cheapest developments.

55. In addition I would require a steam boiler when the supply of water is short for three months, adding another 10,000 rupees per year to the cost of power.

56 to 59 are not necessary as I will not use coal.

V. MARKETS.

60. This can be ascertained from the Government Bureau of Statistics. We have not got figures at the present moment with us.

61. As above.

62. It is very likely, with the increase of education, trade and commerce the consumption of the paper will increase considerably.

63. In Delhi and Lahore. Delhi is about 125 miles and Lahore about 200 miles from the site of the mill.

64. I think Punjab and United Provinces Markets are the places where I can compete more successfully. The consumption of paper in Lahore alone is about 10,000 tons a year and I consider the same quantity at Delhi.

65. I consider that when the paper mill industry is sufficiently developed and is able to meet the demand of Home Markets, the surplus can profitably be exported to countries like Afghanistan, Persia, Malaya States, Mesopotamia, China and other Central Asian countries. Most of these Central Asian countries consume Badami paper. I can make no estimate of the quantities which India might eventually be able to export but they will be considerable.

66. Not in a position to answer.

67. Not in a position to answer at present.

Pulp.

68 to 72. Not in a position to answer at present.

VI. FOREIGN COMPETITION.

73. Scandinavia, America and England.

74. It is keener in white printing, Bonds and Ledger.

75. All paper that comes from Scandinavia is, I believe, made from wood-pulp and mostly unbleached, that which comes from England is the finer quality and is made of wood pulp and mixed with rags. The American qualities are the same.

	1913-14.						1917-18.						1921-24.					
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.			
76. M. F., Printing, per lb. at	0	2	6 to 0	3	0		0	10	0 to 0	12	0		0	3	6 to 0			
Bonds and Ledger, per lb. at	0	4	6 to 0	6	0		4	0	0 to 1	4	0		0	5	0 to 0			
															6			

Second part of the question, not in a position to answer. These prices include c.i.f. and not Custom duty and landing charges also.

77. From the Customs Duty Office and from the invoices of the manufacturers I consider that information is quite enough.

78. I consider that the quotations in the foreign Trade Journal are quite reliable and they represent the prevailing market prices. These quotations show the general market, and when business with foreign Exporter or his Agent is done, it is generally on the prices little below what is quoted in the journal, that business is concluded.

79. I believe the prices now being charged by the Exporters are such that give them no dividend. My reasons for thinking so are as follows:—

Firstly.—The prices of everything that is used in the manufacture of paper have nearly doubled and so is the labour, therefore, I believe they cannot afford to sell at the rate they are selling. I am strengthened in my assumption by the reports of the Companies that come out in Trade Journal. In order to keep their mills going on account of the slackness of the markets in Europe due to the political situation there they are now selling paper at sacrifice prices.

80. In Port towns, but it has its effect in Inland towns too.

81. (1) Unsettled political situation in Europe.

(2) General depression of trade and consequent decreased buying power of the people.

(3) Anxiety to keep works going.

(4) The causes do not seem to be temporary, at any rate if the causes were to be removed soon, its effect will last for another year.

82. Have not got the figures.

83. Have not got the figures.

84. Not to my knowledge.

85. (a) Yes.

(b) Yes.

(c) No.

(d) Am not in a position to say definitely, as I do not know the system in Europe, but as I am going there now, I will find out.

(e) Yes.

(f) Yes.

- (g) Yes.
- (h) Do not know.
- (i) Yes.

I shall be able to give detailed information in my oral evidence on my return from Europe, on the above points.

86. Nos. 1, 2, 5, 7 and 9 are permanent. Other causes are removable, some by the Tariff Board and some by the manufacturers themselves.

VII. EQUIPMENT.

87. (a) Yes.

A mill that can produce 5,000 tons of paper should be able to pay dividend and anything less than that will add to the cost of manufacture.

88. Yes, very elaborate and complicated machines.

89 to 94. Not in a position to answer yet.

95. None in my knowledge.

VIII. CAPITAL ACCOUNT.

IX. COST OF PRODUCTION.

X. MANUFACTURER'S PROFIT.

96 to 131. Relate to matters that come within the province of paper mills that have been actually working for some time, so I am not in a position to answer.

XI. CLAIM FOR PROTECTION.

132. I consider that the conditions laid down in paragraph 97 of the Fiscal Commission Report are fully satisfied in the case of paper industry.

- (a) Yes.
- (b) Yes.
- (c) Not for some years to come.

133. Yes, both the conditions.

134. Yes.

135.

136. On paper and pulp both. If you did not protect pulp industry, foreign capitalists will come with capital, set up paper mills on coast towns, get pulp from Europe feasibly on Subsidized Steamship Companies and undersell the Indian made paper which makes its own pulp. It would be like getting fine thread to make cloth and if we give protection to pulp only, it will be like sending ginned cotton to Manchester and then getting fine cloth from there. We want protection for both pulp and paper of all qualities.

137. By increasing duty against that paper.

138. About 15 per cent.

139. At least 33½ per cent.

140. Foreign cheap paper has not permitted the industry to thrive. It is creditable on the part of the paper mill owners to keep their flag flying even at a loss.

141. None whatsoever.

142. Both are important as I do not consider that paper industry without pulp is either advantageous or desirable in the natural interest. We must protect both.

Witness No. 8.

THE CARNATIC PAPER MILLS LIMITED, MADRAS.

WRITTEN.

Statement I.—Replies to questionnaire from the Carnatic Paper Mills Limited, dated 11th July 1924.

In reply to your letter No. 450, dated the 7th ultimo, we forward herewith the answers to your questionnaire. But as we have not yet commenced manufacture questions calling for figures and information that could be given only by actual manufacturers have been left unanswered. If you consider it necessary we have no objection to submit our representative for oral examination.

REPLIES TO QUESTIONNAIRE.

1. INTRODUCTORY.

1. The Carnatic Paper Mills Ltd., which I represent, was registered in June 1920. It is a public Registered Company.

2. The entire capital invested in our Company is held by Indians. All the Directors are Indians. The Managing Directors are Indians. There are three foreign experts working in the mill.

3.

4. We have not yet commenced manufacture.

5. The capacity of our mills as at present equipped is for the manufacture of —

(a) Ten tons of pulp from Bamboo, and five tons of pulp from straw per day; and

(b) Five tons of paper of different kinds.

6. Manufacture has not yet been commenced.

7. Our mill is situated in Rajahmundry on the bank of the river Godaveri. It is very advantageously situated in respect of—(a) the vicinity to the areas from which our raw materials, viz., bamboos and paddy straw are drawn. Mr. F. Marsden says (*vide* page 40 of his Bulletin on Paper and Paper pulp production in the Madras Presidency):—“Another area which has recently come under discussion lies in the Upper Godaveri Division in the Marrigudem, Palusumamudi and Lakkavareni Ranges drained by the Godaveri river and its tributaries the Saberi, Sileru and Ginderu. The quantity of *Bambusa Arundinacea* the species common on the West Coast appears to be very small, and *Dendrocalamus Strictus* seems to be the common variety. The available supply in the area is stated to be about 15,000 tons which should ensure a supply to a medium sized factory, the most suitable location for which would appear to be in the neighbourhood of Rajahmundry.

The Districts of Krishna and Godaveri are paddy producing districts and the irrigation canals being also navigable, paddy straw can be transported to our mill.

(b) For the present we have to depend for coal from Bengal; but there are prospects of the Talehar Coalfields which are 400 miles from our Mills beginning mining before long. Wood fuel can be brought down by the river Godaveri at moderate rates from the extensive forests on both sides of the river Godaveri.

(c) Our chief market will be Madras which is 360 miles by railway. We can also export by steamer *via* the port of Cocanada. There is a navigable canal connecting Rajahmundry with Cocanada.

(d) Sufficient labour is available at all seasons of the year.

We consider that a perennial supply of water and raw material and the proximity to an engineering workshop to get repairs to machinery promptly attended and the proximity to a railway station for export of manufactured goods are the most important factors in selecting a site of a Paper Mill in India. It is these considerations that have led us to select Rajahmundry as the site of our mill.

9. The principal classifications of paper are Wrappings, Newsprint, white and Coloured Printings, Writings and Ledger Papers, and Speciality Papers.

The kinds of paper we have to manufacture would be classified as Wrappings, Newsprint, Glazed and Writing Papers, Medium and Good.

As far as we are concerned, in view of the raw materials obtainable, we consider the manufacture of white printings and superior lines of paper as most suitable.

10. From our knowledge of the Indian market we consider it will be necessary for us to manufacture a larger variety of papers than what the western manufacturers would do. The reason is that the Indian merchants require a larger variety of all lines and those must be prepared to be supplied to the proportion of each.

The Indian manufacturer is really at a disadvantage in this respect. Because we believe English mills generally concentrate on the manufacture of only one or two lines. Furthermore, the demand in India is for a very large proportion of light white papers which are not made in English Mills.

11. We propose to use Soda process for the manufacture of pulp.

II. RAW MATERIALS.

12. We propose to use bamboos and paddy straw.

13. We estimate our annual requirements at about 7,000 tons of bamboos and 3,000 tons of paddy straw.

14. Although we have at present no actual working experience we are basing the figures on estimated requirements of 2½ tons of bamboos or two tons of paddy straw per one ton of unbleached pulp.

In this connection we believe we are correct in stating that this view is supported by Mr. W. Raitt, the Government Cellulose Expert.

Two tons of paddy straw are required for one ton of pulp as per experiments conducted on our behalf by an expert in Switzerland.

15. Our estimate is that one ton of unbleached pulp will be required for producing one ton of paper.

16. So far as bamboos are concerned we refer again to Mr. F. Marsden's Bulletin (*vide* quotation in answering Question No. 7) that the Upper Godavari Division can supply about 15,000 tons of bamboo a year, our requirements being 7,000 tons.

Government experts have expressed the opinion, we believe, that the bamboo forests of India are sufficient to supply the whole world's demand of pulp.

We invite attention to the answer given to question No. 7 about Paddy straw. The supply is very extensive.

17. We shall draw our supply of bamboos from the forests in the Marri-gudem, Palusumamudi and Lakkavarem Ranges in the Upper Godavari Division and also from the Zamindari forests of Bhadrachellam and Polavaram. The forests are situated from 30 to 100 miles, bamboos being floated down the river.

18. *Bamboos*.—The columns are cut by coolies and dragged to the nearest cart track or foot path according to the nature of the country and are drawn

by buffaloes or carted in bullock carts to the bank of the river and floated down in rafts. The transportation on land varies from 5 to 15 miles and by the river from 30 to 100 miles.

Paddy Straw.—It will be purchased from cultivators and carted either direct to the mill or carted to the nearest navigable canal and carried in boats to the mill site. The required quantity of straw can be obtained from within a radius of 50 miles.

19. The royalty payable to Government for bamboos of any kind is Rs. 7-4-0 cartload = $\frac{1}{2}$ a ton and private persons levy varying rates—from Rs. 5 to Rs. 10 per cartload according to the distance of their forests to the river.

Straw can be purchased at Rs. 15 per ton from cultivators. The price, however, fluctuates with the character of the season. In years of drought and even in years of short fall of rain prices go up by about 50 per cent. compared with prices in normal years.

20.

21. We have applied to the Government for a concession of reduced seigniorage (Royalty) rate for bamboo and our application is still under consideration.

22. We do not anticipate any difficulty or deterioration in regard to supplies.

25. Once again we invite attention to Mr. Marsden's Report that there is an assured supply of 15,000 tons of bamboo in the Godavari district.

26. We do not propose to use Sabai grass

27.

28.

29. Undoubtedly.

30. So far as bamboo is concerned we believe that the supply is absolutely assured. We also believe that the yield from bamboo is larger than that from sabai grass.

We have in the Godavari Forests only two species of bamboo, viz., *Dendrocalamus Strictus* and *Bambusa Arundinacea* both of which have been declared by experts to be suitable for pulp.

31. Paddy straw has been experimented and found suitable for the production of pulp. There are some localities in the Madras Presidency where paddy straw is available for manufacture of paper pulp, and it compares favourably with sabai grass in respect to all points mentioned in query No. 30 except perhaps in regard to quality. But the pulp from paddy straw is suitable for newsprints and for inferior kinds of paper for which we estimate there is a demand of 10,000 tons a year in India.

32. We would require only a very limited quantity of rags for preparation of superior kinds of papers and our requirements can be secured from Madras.

34. It would not be necessary for us to import:—

(a) Primary raw materials.

(b) Foreign pulp.

For Bamboo Pulp.

36. Our estimated total requirements per year are 7,000 tons of bamboo, 360 tons of soda ash, 1,000 tons of lime, 480 tons of bleaching powder and 6,000 tons of coal, or 15,000 tons of wood fuel.

For Straw Paper.

Our estimated total requirements are 3,000 tons of straw, 450 tons of lime, 370 tons of bleaching powder and 4,500 tons of coal or 11,250 tons of wood fuel.

38. (a) Soda ash, bleaching powder, dyes and China clay.

China clay will also have to be imported as the experience of the manufacturers is against the use of Indian China clay. If the methods of preparing Indian China clay are improved and if they produce a quality equal to the imported article then only the Indian China clay can supersede the imported article.

(b) Alum and rosin.

(c) We have causticising tanks and we will prepare our own caustic soda from imported soda ash. We have also soda recovering plant.

We are unable to furnish information on these points owing to shortness of time.

39. (a) When our authorised capital is fully subscribed we propose to manufacture soda and bleaching by the process of electrolysis.

Wires and felts may be expected to be manufactured with the industrial development in India and with an assured demand.

(b) *Dyes*.—There does not appear to be any prospects of manufacturing dyes in India.

III. LABOUR.

40.

41. We do not expect any difficulty in obtaining labour.

42. We can obtain indigenous labour in sufficient quantities.

43. No special training is required.

44. Yes

47. Imported workmen obtain approximately double the average rate of wages which they would receive in their own countries. We suppose the men sent to this country are probably specialists in their work which should be remembered.

50. We consider we can manage with Indian labour under the supervision of Foreign experts. We can obtain the required labour from the vicinity of our factory.

51. Indian labour undoubtedly improves with training.

52. The factory Laws in our Presidency regulate the housing of labour and we would abide by the rules in force.

IV. POWER.

53. We are providing both kinds of power in our mill *viz.*, steam and electricity.

54. The electric power will be obtained from generators driven partly by steam engines and partly by steam turbines.

55. We expect to use partly wood fuel and partly coal. We have ascertained that our requirements of wood fuel can be obtained from the forests on the banks of the Godaverī and we would resort to the use of coal only if the supply of wood-fuel is not constant and regular.

56. We rely on Mr. Raitt's estimate of two tons of Bengal coal or five tons of wood-fuel per ton of pulp and have based our estimates accordingly. One ton of coal or two and a half tons of wood-fuel is the estimated quantity for producing one ton of paper.

57. We have not yet purchased coal. We have purchased wood-fuel however at Rs. 8-8-0 per ton delivered at mill site.

58. No.

59. We have applied to the Government of Madras for concessions for wood-fuel.

V. MARKET.

60. From our estimated figures we assume the present Indian production of 33,000 tons per year.

61. (a) From imported figures for 1922-23 it will be seen that 59,339 tons were imported. Taking the estimated Indian production as per our previous reply No. 60 at 33,000 tons we should say that the estimated total demand for paper of all kinds is approximately 93,000 tons.

	Tons.
(b) Total demand of paper	93,000
Newsprints, etc.	20,000
	<hr/>
Indian Production	73,000
For expansion	33,000
	<hr/>
	40,000

62. We believe that the demand will substantially increase in the near future. The developments of the country, the spread of free and compulsory elementary education to which many of the provinces in India are committed, the increase in the number of Vernacular newspapers which have an ever increasing circulation, the demand for publications in vernaculars of foreign books in literature and science, will assuredly increase the demand of paper.

63. Our chief market will be Madras about 360 miles from our mill.

64. No.

65. Probably to Australia, New Zealand and South Africa.

All printing and writing papers.

It is impossible to give an estimate.

68. Yes. Provided a protective duty is imposed.

70. In our opinion it is imported from foreign manufacturers at dump prices thus rendering it impossible for the development of Indian resources on account of manufacturers here being reluctant to lay out the necessary capital for the erection of expensive pulp plant.

We consider that the whole importation of pulp could be replaced by Indian pulp entirely.

71. We estimate the present domestic market in India is the same as the imported figure viz., 1,80,244 cwts. The possible market is practically unlimited as the country develops. The principal market is for sulphide wood pulp, but bamboo pulp from Soda process will we expect be equally if not more acceptable to the paper manufacturers.

72. Export of pulp from India to foreign countries is most probable in a distant future provided industry receives protection.

Australia and New Zealand have no paper industry of their own. We do not consider any estimate can be given as to the quantity or quality when India maintained might be able to export.

VI. FOREIGN COMPETITION.

73. As to paper United Kingdom, Norway, Sweden, Holland, Germany and Finland.

The chief pulp competitors are Norway, Sweden and Finland.

74. Competition is keener in White, Printing and Writing papers.

75. From wood-pulp and Esparto grass.

78. We believe Trade Journal quotations are really foreign market prices and not the actual prices at which dumping business is done for this country. Foreign mills manufacture for export at a loss and keep surplus stock off their home markets which maintains full prices in consequence but India suffers as a result.

79. We are credibly informed that the statement given in reply to No. 78 is the opinion of large importers residing in this country.

80. Bombay, Madras, Lahore and Calcutta.

81. We have already replied this in No. 79. We do not see any reason to suppose that these causes are unlikely to continue for some time.

84. No.

85. (a) The cost of plant and machinery is increased to the Indian manufacturer on account of freight, insurance, duty and landing charges which have to be added to the foreign price.

(b) The Expert labour is more expensive in India.

(c) It is necessary to maintain larger number of labour for any specific work and therefore actual cost is not cheaper, and is practically the same as compared with the Western countries.

(d) No.

(e) All auxiliary materials and consumable stores not obtainable in this country have to be paid freight, insurance, duty and landing charges.

(g) Yes, more spare parts have to be maintained on account of their being unobtainable in India.

(h) The present high duty on auxiliary raw materials, at present not manufactured in this country is disadvantageous to the Indian manufacturer.

(i) The Indian capitalists require a larger return than the European investors.

86. (a) Permanent.

(b) Temporary, provided Indian labour can be reduced sufficiently as it becomes increasingly efficient.

(c) Efficiency will improve with training and increased efficiency may mean a reduction in cost and this may therefore be regarded as temporary.

(e) In some cases this may be temporary. For instance in the case of Bleach that will undoubtedly be manufactured when the industry develops.

(g) We imagine if the industry develops sufficiently in this country it could turn out spare parts. In such cases this disadvantage will be temporary.

(h) Customs duty is entirely left with the Government.

(i) With the spread of education and development and protection of industries this disadvantage might disappear in course of time.

VII. EQUIPMENT.

87. Our mill when fully equipped including preparation of soda and bleach by the process of electrolysis is in our opinion sufficiently large as an economic unit of production to ensure economy. The smallest unit of production in our opinion which can be operated economically under the present day conditions is fifteen tons of finished paper per day.

88. (a) The pulp plant is very expensive both in cost and in maintenance. The machinery is also elaborate.

(b) Paper machinery is elaborate and also expensive.

89. We estimate that nearly two thirds of our authorised capital of Rs. 30,00,000 will be invested in plant and machinery alone.

90. For manufacturing paper from paddy straw machinery supplied by Messrs. Theodore Bell & Co., Kriens, Switzerland.

1. Straw cutter with elevator and duster.
2. Spherical rotary digester.
3. Kollar Gange.
4. Bleaching engine with two wash drums, large size.
5. Special stuff centrifugal pumps.
6. Two beating engines each 400 lbs. capacity with wash drums complete.
7. One paper machine complete of the latest type.
8. One steam engine 45 B. H. P. for the drive of constant part of paper machine and one fine regulating steam engine of 95 B. H. P. for the drive of variable part of paper machine.
9. One automatic cross cutter of the latest type.

10. One automatic bailing press with hydraulic pump complete.
11. One machine calender from Messrs. J. M. Voith, Germany.

For manufacturing pulp from bamboo, machinery supplied by Messrs. Stebbine Engineering and Manufacturing Co., New York, America.

- One Bamboo Crusher.
- One Chipping Machine.
- One Elevator complete with Screens.
- One Digester.
- One Blow Tank.
- One Wash Machine.
- Three Flat Screens.
- One Wood's Thickener Machine.
- Two Bleaching Tanks complete.
- One Washer.
- One Wet Machine Complete.
- Soda Recovery Plant.
- Four Causticizing Tanks with Agitators complete.
- One Bleach mixing tank.

Soda Recovery Room.

- Two Evaporators.
- One Incinerator.
- One Ash Conveyor with necessary pumps.
- Two Leach Cells.
- One Lift.
- Complete set of weighing Machines and Scales and hand trucks with rails.
- Four Large storage tanks, capacity 80 tons each, with necessary pumps and connections.

Power Plant.

- One Eric City Boiler 250 H. P.
- Nordberg's Engine 200 H. P.
- Three British Niclausse Water Tube Boilers.
- Ruston Tandem non-condensing Engine.
- 450 I. H. P. with shafting complete.
- One Parson's Turbine 800 K. W.
- One Alternator 150 K. W. with Switch pannels and with necessary pumps.
- One Marshall's Portable Engine 25 I. H. P.
- Pumps and Pipes for Pumping Water to the Mill.

91. Yes; provided a protective import duty is levied.

92. We are informed that improvements have been effected in pulp and paper-making process and machinery since the war and we have secured the latest types of machinery and have experts with knowledge up to date.

94. (a) No.

(b) Provided the paper industry is protected sufficient to warrant further capital expenditure which could be required for extension, we would add a paper machinery to manufacture ten tons of paper per day and also equipment for preparing soda and bleach to our existing pulp machinery a list of which is given in answer to No. 90.

95. All ferro concrete tanks, 4 bleach storage tanks and 4 washing tanks are manufactured locally.

VIII. CAPITAL ACCOUNT.

	Rs.	AS.	P.
96. As on 30th June 1923.			
(b) Lands at cost	18,135	11	0
(c) Buildings at cost	4,42,866	14	6
(d) Plant and machinery at cost:—			
	Rs.	AS.	P.
Machinery	7,59,450	7	9
Power plant	23,469	6	0
Advances paid for machinery	66,845	4	7
		8,49,765	2 4
(e) Miscellaneous Assets:—		Rs.	AS. P.
Water Works	2,450	10	7
Roads	323	7	5
Motors	3,877	8	0
Books	503	3	9
Furniture	5,719	9	0
Loose Tools	9,685	12	5
Live Stock	418	4	0
Bamboo Stock	790	1	6
Debtors	7,245	0	0
Crockery, etc.	801	14	9
		31,815	7 5
TOTAL		13,42,563	3 3

97. The figures given above represent the actual cost of the various assets. As we have not yet commenced manufacture nothing has been written off under depreciation.

99. Time available does not permit the answering of this question.

101. (a)

	Rs.	
Authorized Capital	30,00,000	} As on 31st May 1924.
Subscribed Capital	14,74,180	
Paid up Capital	13,95,215	

(b) All our shares are ordinary.

104. (a) The amount of paid up capital—

	Rs.	
in 1920-21	1,09,735	} As on 31st May 1924.
1921-22	5,42,885	
1922-23	11,59,985	
1923-24	13,95,215	

108. Nil.

IX. COST OF PRODUCTION.

109. We have not yet commenced manufacture.

114. At 7½ per cent. on machinery and at 2½ per cent. on buildings. We consider these rates are suitable.

118. We estimate that we shall immediately require a sum of Rs. 2 lakhs to start manufacture of pulp from bamboo and a sum of Rs. 5 lakhs ultimately to stock raw materials, fuel, auxiliary materials and book debts.

119. We expect that we shall have to borrow capital for working expenses.

120. The amount to be borrowed is estimated at Rs. 5 lakhs at an average rate of interest of 9 per cent. per annum.

124. No.

X. MANUFACTURER'S PROFITS.

128. 10 per cent. on Ordinary Shares.

129. If protection is given for a period of at least ten years preference shares at 8 per cent. and debentures at 6½ per cent.

130. 15 per cent.

XI. CLAIM FOR PROTECTION.

132. Yes.

A. There is a plentiful supply of raw materials suitable for pulp manufacture and consequently for paper; plentiful supply of labour and large demand for paper, cheap power in the shape of wood fuel.

B. It is certain that the industry will not develop without protection.

C. Yes; because with protection, development will be possible, thereby increasing production and reducing costs.

139. (a) Yes.

(b) Yes.

134. Both pulp and paper industries are important on national grounds and deserve protection apart from economic considerations.

Literacy is very low in India and the spread of education which is recognised to be of national importance will create a great demand for books and the paper industry is therefore one of national importance.

Pulp industry deserves protection from economic considerations, *i.e.*, development and full utilisation of raw materials available extensively in India.

135. Yes; the supply of raw materials over all others is the most important feature rendering the industries suitable for economic conditions. Furthermore the demand for paper gives a good local market.

136. Paper and pulp of all kinds.

137. The tariff valuation should be altered from time to time.

138. Reference is invited to Tariff Schedules.

139. We consider that an import duty of 25 per cent. both on paper and pulp is necessary.

140. The paper industry as far as bamboo is concerned is still in its infancy and so far as paddy straw is concerned it has not yet been attempted anywhere in India and for these reasons protection is necessary.

141. No. From the national point of view the claim for protection of pulp is far more important. If pulp is manufactured, paper will also be manufactured in this country and in times of emergency.

Government Experts are confident that the World's requirements of pulp can be supplied by India. At present however the industry being in the stage of infancy, if protection is given, we are of opinion that the industry will develop itself.

Statement II.—Representation dated the 3rd January 1925, from the Carnatic Paper Mills, Limited, Madras.

Advertising to the correspondence ending with our letter No. 244 of the 5th August 1924, we have the honour to inform the Board that we did not put forward our representative to tender oral evidence on the assumption that the Board will have been very little interested in figures and information from a concern which has not been actually working.

From various reports in the daily press, of the recent proceedings before the Tariff Board we understand that, if the Tariff Board should decide to recommend an increased duty on imported paper, there is every likelihood that the recommendation will modify considerably the application put forward by the paper mills. At an earlier stage of the proceedings, the manufacturers have already withdrawn their claim for an increased duty on paper containing a certain percentage of mechanical wood pulp and, from representations submitted by various importers, stationers and printers, we gather that the attention of the Tariff Board has been drawn to the fact that certain qualities of paper are not manufactured in India at present, nor are they likely to be so in the near future. In the written statement of the Calcutta Traders Association we note a classification of the various classes of paper used in India and we understand that the Tariff Board has obtained evidence from the existing mills regarding their ability to manufacture the qualities enumerated.

The Board will appreciate that it is very difficult for this Company which has not started actual manufacture to meet in a way that will satisfy the Board the allegations made in this statement. However, we understand that the existing mills have supplied very informative statements regarding these points and the object of this letter is to draw the attention of the Board to a certain class of paper, the manufacture of which will be a speciality of our mill.

We here refer to the paper generally classed as "M. G." paper distinguished by one side of the paper only being glazed, while the opposite surface is left rough. This paper appears under various trade names as "Kraft Paper," "Wrapping," "Envelope Paper," "Poster Paper," etc., in natural brown, white and coloured varieties. The manufacture of this paper requires a special type of paper machine, generally called "Yankee" Machine, the glazing being effected by pressing the paper web whilst in a wet state against a specially ground and polished drying cylinder of large dimensions.

As none of the mills operating, when our plant was designed had facilities for manufacturing this class of paper, we considered it advisable from the aspect of internal competition to arrange our mill for manufacture of this paper and, although the Yankee machine installed can by special arrangements be made suitable for the manufacture of general qualities of M. F. paper, our mill must resort to the production of M. G. paper as the chief product until a proposed extension of the paper making plant by the addition of a Fourdrinier Machine can be carried out.

In the circumstances referred to, the Board will appreciate the importance for this Company that all classes of M. G. paper should be protected to the same extent as other qualities manufactured in India and we trust that the Board will take our case into favourable consideration.

As a further reason for our application, we beg to draw the attention of the Tariff Board to the fact that, while most of the qualities it is proposed to exempt from the additional duty are of a superior and expensive kind mostly catered for by the old established quality mill of the United Kingdom, (here we do not refer to mechanical paper) the M. G. paper is one of the cheapest grades of paper the ever increasing demand for which is mostly supplied by Scandinavian and Continental Mills. Also, the Board will realise that this Company will scarcely be able to resort to the already well supplied market for Badami paper in competition with the old established mills, and that it is essential for a mill operating in this country to have a substantial

line of brown or slightly bleached paper to resort to especially during the monsoon when owing to the heavy deterioration of imported bleaching powder the bleaching costs become excessive.

For the information of the Board, we enclose with this a few samples of M. G. paper, the brown qualities all being made from unbleached Soda pulp, the white and coloured samples from Sulphite pulp.

It must certainly be of interest to the Tariff Board to learn that this Company is assured of a substantial financial help from the Government of Madras in the form of a loan of Rupees six lakhs. This will enable us to complete and start up our mill very shortly. Also, we anticipate that the attitude of the Government indicates that our application for concessions of bamboo will be granted and that further calls on the investing public to provide for an extension of our paper making plant will be readily responded to.

Correspondence with the three Calcutta Paper Mills and the Controller of Printing, Stationery and Stamps, regarding certain experiments carried out at the request of the Board by the Titaghur Paper Mills Company, Limited.

(1)

Letter, dated the 1st September 1924, to the Controller of Printing, Stationery and Stamps.

I am directed to enclose a copy of a letter No. 785, dated 1st September 1924, with enclosure addressed to the Titaghur Paper Mills, the Bengal Paper Mills and the India Paper Pulp Company, Limited.

2. I am to express the hope that you will be able to co-operate with the Board by giving your opinion on the various papers manufactured in the course of the experiments proposed to be made.

Enclosure.

(Letter, dated 1st September 1924, from the Tariff Board (1) to the India Paper Pulp Company, Limited, Calcutta, (2) The Titaghur Paper Mills Company, Limited, Calcutta, and (3) The Bengal Paper Mill Company, Limited, Calcutta.

I am directed to enclose a copy of a memorandum, drawn up by the Tariff Board, relating to certain experiments which the Board consider it desirable should be made, and which could, they believe, be carried out by co-operation between your firm and (1) The Titaghur Paper Mills Co. and The Bengal Paper Mills Co.; (2) The India Paper Pulp Co., Ltd., and The Bengal Paper Mill Co.; (3) The India Paper Pulp Co., Ltd., and The Titaghur Paper Mills Co.

2. I am to request that the Board may be informed by what date it would be possible to complete the experiments. It is obviously desirable that there should be as little delay as possible, and it is essential that the experiments should be concluded by the end of November at latest.

3. This letter has also been addressed to (1) The Titaghur Paper Mills Co. and The Bengal Paper Mills Co.; (2) The India Paper Pulp Co., Ltd., and The Bengal Paper Mill Co.; (3) The India Paper Pulp Co., Ltd., and The Titaghur Paper Mills Co., and a copy is being sent to the Controller of Printing, Stationery and Stamps.

MEMORANDUM.

In the application for protection put forward by the India Paper Pulp Company it has been proposed that a protective duty should be imposed, not only on all kinds of paper, but also on imported wood pulp. At the present time all the paper mills working in India apparently use a certain quantity of imported chemical wood pulp. In the case of the Indian Paper Pulp Company it is understood that the necessity for importation arises from a temporary cause, namely, that the capacity of the paper machine somewhat exceeds the capacity of the pulp making plant. On the other hand, the mills which use grass as their staple material state that they find it necessary to use a certain quantity of wood pulp which is mixed with the grass pulp in the manufacture of certain kinds of paper. It has been claimed by the India Paper Pulp Company that bamboo pulp can be used to replace the imported pulp, and that once the manufacture of bamboo pulp has been firmly established in India, the importation of chemical wood pulp will become unnecessary. The two principal companies which manufacture paper from grass apparently support this claim, for in the evidence placed before the Board, they have agreed to the imposition of a protective duty on imported pulp, subject to the condition that sufficient time is allowed them to equip themselves for the manufacture of pulp from bamboos.

2. If the claim referred to in the last paragraph is substantiated, it follows that the manufacture of paper can be carried on in India entirely from fibres produced in the country and it will be needless to have recourse to foreign supplies. The Board understand that, during (or since) the war, bamboo pulp has been used both by the Titaghur Paper Mills Company and the Bengal Paper Mills Company, and the experience thus gained is no doubt valuable. But its future independence of foreign sources of supply is of such importance to the paper industry in India that the Board are anxious that the question should be fully investigated. It appears to them very desirable that a practical experiment should be made in order to ascertain definitely whether bamboo pulp can be used to replace chemical wood pulp in the manufacture of those kinds of paper which are made at present partly from grass and partly from wood pulp. The Board hope that the Paper Mills in the vicinity of the coal fields and Calcutta will be ready to co-operate for this purpose.

3. Since the point to be determined depends upon the use of bamboo pulp in combination with grass, the experiment would naturally be made in one or other (or both) of the mills which use grass as their staple fibre. Since it is desirable that experiments should be made with several different kinds of paper it should be possible by mutual arrangement between the companies, to divide the experimental work between them. The bamboo pulp required, will, it is hoped, be supplied by the India Paper Pulp Company.

4. The detailed arrangements for the experiments must necessarily be left to the Mills. But it is important that those responsible should bear in mind that the end in view is to demonstrate that the substitution of bamboo pulp for chemical wood pulp can be effected without prejudice to the paper industry in India. The question of cost is not now in issue, for that depends mainly on the cost at which bamboo pulp can be produced, and the experiments now proposed have no bearing upon that point. But it is important to ascertain whether, by the use of bamboo pulp in combination with grass, paper of equal, or superior, quality to the paper made from wood pulp and grass can be produced. For this purpose it may be advisable, as a check on the experiments with bamboo pulp, to manufacture certain quantities of the same kinds of paper with grass and wood pulp. It is also desirable to secure an independent opinion on the results of the experiment, and for this purpose the papers made both from (a) bamboo pulp and grass and (b) wood pulp and grass should be submitted to the Controller of Printing who would be asked by the Board to examine them and to report as to the quality of each. Finally, each mill carrying out the experiments should prepare a note describing the procedure followed, and making it clear what differences (if any) in the process of manufacture or the quantities of primary and auxiliary materials employed, are involved in the use of bamboo pulp.

(2)

Letter from the Controller of Printing, Stationery and Stamps, Calcutta, dated the 9th December 1924.

I have the honour to refer to your letter No. 786, dated the 1st September 1924, requesting me to co-operate in an experiment in the manufacture of paper made from sabai grass and bamboo pulp. It appears that the experiment has been made only by the Titaghur Paper Mills Company, Limited, the latter Company provided the bamboo pulp while the former Company provided the grass and actually manufactured the paper. Samples of the paper containing 50 per cent. grass and 50 per cent. bamboo pulp have been received by me; it appears that experiments in different proportions were not made. Samples have been sent direct to the Tariff Board. No samples of grass and chemical wood pulp paper, though asked for, have been received. It appears that the Bengal Paper Mills Company has not taken part in the experiment.

2. The samples have been subjected to the usual mechanical and chemical tests with the results noted below. It will be noted that the ash contents of the paper are extremely low—far lower than is customary in paper of this quality. This denotes absence of loading in the paper, which while giving an inferior surface should give considerably greater strength than in the case of samples containing the usual amount of loading. The stretch in the paper indicates the amount of stretch before the paper breaks under tension; the figures for stretch are very satisfactory throughout.

Writings.

	Tensile.	Stretch.	Bursting.	Folding.	Ash.
Bamboo and grass cream laid.					
24 lbs. Double Foolscap .	7.0	2.2	20	5	2.3
Grass Azure laid 22 lbs. Double Foolscap	9.8	2.6	18	33	9.8
Bamboo Cream Wove 24 lbs. Double Foolscap	8.1	2.9	20	14	Not available.

It will be observed that the bamboo and grass paper has a lower tensile strength than either of the other papers, but the strength is satisfactory. Bursting strain is excellent. Folding resistance is, however, lamentably low and would at once condemn the paper as a practical commercial proposition. Considering the satisfactory tensile and bursting strength, the folding weakness is probably due to faulty manufacture. The finish of the paper is fair, but poor for a test manufacture; texture is moderate, slightly superior to the usual grass paper, but very inferior to the bamboo paper.

Printing.

	Tensile.	Stretch.	Bursting.	Folding.	Ash.
<i>Bamboo and Grass.</i>					
(1) Double Foolscap 24 lbs. .	7.9	2.0	23	7	2.9
(2) Double Foolscap 20 lbs. .	5.8	1.9	19	4	3.4
(3) Double Foolscap 16 lbs. .	4.4	1.7	17	3	3.1
<i>Grass.</i>					
(4) Double Foolscap 18 lbs. .	8.0	1.4	20	21	9.3
<i>Bamboo.</i>					
(5) 22½ × 35 34 lbs.	4.6	3.3	15	12	

The substance of (5) is the same as and comparable with (2). Item (4) should show tests between 2 and 3. The tests show very similar results to the writings, and the samples are condemned by the very poor folding resistance; texture is again moderate and does not compare with a pure bamboo pulp paper. Finish and appearance are inferior to bamboo paper but in every way superior to a grass paper. It has not been possible to test the samples as a printing paper in practice, owing to the small quantity sent.

Cartridge white.

		Tensile.	Stretch.	Bursting.	Folding.	Ash.
<i>Bamboo and Grass.</i>						
20" × 26" 40 lbs. . . .	(a)	7.4	2.3	21	3	2.6
	(b)	8.1	2.2	22	2	2.3
<i>Grass.</i>						
17" × 27" 34 lbs.		15.8	2.0	40	28	8.8

The substance of the bamboo and grass and grass papers is almost identical. Cartridge paper of this substance should show much greater strength in all the tests and the samples are entirely unsuitable for use as a cartridge paper. The appearance of the paper is superior to the grass cartridge paper—otherwise it has no merit. No comparison could be made with a pure bamboo cartridge paper, as such a paper has never been purchased by the Government of India.

3. The samples against which the tests have been made are tender sheets for the Government of India contract of 1924-25. I attach specimen sheets of bamboo cream wove and white printing to enable the Board to compare the appearance, texture and finish.

4. Though these tests have shown poor results, I do not think that any definite conclusion can be drawn from them. The experiment has been made in only one proportion of mixing the grass and bamboo and there is no apparent reason why the strength of the paper produced should be lower than that of its weakest constituent, *viz.*, bamboo, it is probable that the weakness is due to lack of knowledge and experience of the amount and nature of beating required. The faulty texture indicates defect in manufacture, and I should hesitate to advise the Board to draw any definite conclusions unless further experiments are made in varying proportions of the 2 materials. I further consider it essential that, in order to draw any conclusions from the experiment, test samples should be manufactured in each of the mills concerned for comparison against each other. It is not improbable that the more modern machinery of the Indian Paper Pulp Company would produce better results, while the Bengal Paper Mills at present produce writing papers which we consider to be superior in quality to those manufactured by the Titaghur Paper Mills.

(3)

Letter, dated 20th December 1924, from the Controller of Printing, Stationery and Stamps.

In continuation of Mr. Coster's letter No. Pg. 95-C., dated the 11th of December 1924, I have the honour to report herewith on the tests made of the experimental making of a grass and chemical wood paper by the Titaghur Paper Mills Company, Limited. It is understood that the proportions used were 50 per cent. of each material.

Writings

	Tensile.	Stretch	Bursting.	Folding.	Ash.
Grass and chemical wood, creamlaid, 24 lbs. Double Foolscap	7.3	1.8	21	5	13.3

Printings, White.

Chemical wood and grass, Double Foolscap, 24 lbs.	7.9	2.1	22	7	13.4
Chemical wood and grass, Double Foolscap, 20 lbs.	6.4	1.8	21	4	13.3
Chemical wood and grass, Double Foolscap, 16 lbs.	5.2	1.0	17	3	12.3

Cartridge, White.

Grass and chemical wood 22×29, 50 lbs. Rough	12.6	1.9	30	11	11
Grass and chemical wood 22×29, 50 lbs. Smooth	13.8	2.2	32	14	14

It will be observed that, except in the case of the Cartridge Paper, the tests are very similar to those of the Bamboo and Grass, but they indicate a very inferior paper to that which is normally supplied for the Government contracts in which the proportion of chemical wood is ordinarily equally great. Neither the writings nor the printings would be accepted by Government. The Cartridge Paper is slightly better than the Bamboo and Grass samples sent but is not particularly good for this class of paper. I confirm my opinion expressed in my letter of the 9th of December 1924, in which I stated that the experiment is of no value for the proposed comparative test.

(4)

Letter, dated the 30th December from the India Paper Pulp Company, Limited.

We have not yet been able to obtain from either of the other mills any grass pulp to continue the experiment of mixture of bamboo and grass pulps, but are still endeavouring to make the necessary arrangements.

We think, however, that the report, of which we enclose a copy, on the use of wet pulp manufactured by our mill and sent home in 1921 before we had commenced manufacturing paper here together with the attached specimens of paper made at that time, will be of interest to the Board. It will be noted that in this report, which is confirmed by the samples of paper made, it is stated that bamboo pulp is equal in its paper making properties to the best Spanish esparto, that excellent results were produced under conditions of beating and manufacture exactly similar to those employed when using esparto or mixtures of esparto and chemical wood pulps and that in its preparation for paper-making it can be treated similarly to esparto and chemical wood pulps.

Enclosure.

Report, dated the 8th September 1921, on bamboo pulp manufactured by the India Paper Pulp Co., Ltd., delivered at Bsk Mills, 17th July 1921.

The cargo comprising 91 rolls arrived in first class condition, having been securely packed in double hessians, and as a result the pulp was in no way

contaminated by any extraneous matters. Immediately on arrival at the mill the bundles were separately weighed and compared with the detailed specification which accompanied the consignment. It was found that there was a discrepancy of 3,964 lbs.; the pulp being advised as weighing 16,550 lbs. and actually weighing on receipt 12,586 lbs., or there had been over 24 per cent. reduction in weight due to evaporation. Three separate moisture tests were taken and the results are given on attached sheet. These show that under normal trade conditions the invoiced weight of the shipment on an air-dry basis should be 7,126 lbs.

Very careful examination was made and it was found that the pulp varied in colour from the ideal greyish brown to a slightly yellow tinge, as per samples attached, but there was practically no sign of mildew or decomposition. It appeared that there was considerable difference in the length of the fibre, the yellow pulp being shortest, but direct physical comparisons were difficult as the pulp varied considerably in its moisture content.

First experiment.—Straining Green, i.e., Unbleached.

Owing to difficulty with the strainers this pulp had not been strained or screened in India and with the view of studying the question of screening about 1,000 lbs. of the pulp (air-dry) basis was broken up in the breaker and discharged to Presse Pate. This machine is fitted with two simplex flat strainers having plates 7' x 2' 4" with No. 5 cut. Absolutely no difficulty was experienced in passing the pulp through the strainers and they dealt with it at the rate of 1,000 lbs. per hour, this being their normal capacity for bleached esparto and wood pulp fibres. The amount of screenings was exceedingly small, in fact the lowest we have ever seen in any class of unstrained pulp. No more than 1 lb. was kept back on the strainer plates or 0.1 per cent. This proves thorough resolution and almost entire freedom from agglomerated lumps or unresolved particles.

2nd experiment.—Bleaching and Straining.

1,096 lbs. of pulp (air-dry) furnished into a Potcher and heated required 16 per cent. of bleaching powder to get a good white colour 1,176 lbs. of pulp (air-dry) similarly treated required 15 per cent. of bleaching powder. The 2,272 lbs. of pulp was run over the Presse Pate and other than slight accumulation of fibrous frothy scum indicated no special features.

3rd experiment.—Beating.

In the Beaters the pulp showed what is technically known as "free" characteristics but the quantity of pulp furnished into each charge was not sufficient to secure the proper degree of hydration and thus the paper produced, although quite satisfactory, did not show up to the full advantage the quality of the fibre. There was only sufficient pulp to properly fill 2½ Beaters and this by undue dilution was made up in three Beaters, with the result above mentioned. The paper ran over the paper-making machine without the slightest difficulty, in fact, no "shut" or "breaks" took place, thus immediately giving proof of the first class paper making value of the fibre and demonstrating that in its preparation for paper-making it can be treated similarly to esparto and chemical wood pulps.

4th experiment.

The remaining 60 rolls of pulp were opened out and classified according to colour. 45 were of the yellow grade and 15 of the greyish brown colour. The 45 rolls representing, 3,524 lbs. of air-dry pulp were furnished into a Bleaching Tower and bleached with 15½ per cent. of bleaching powder to a full white pure colour equal to Spanish esparto, as per sample attached. (Under normal conditions Spanish esparto requires a similar percentage of bleaching powder).

This quantity of pulp only constituted three quarters of a full furnish and thus the special bleaching efficiency of this plant was not taken advantage of and as it was necessary to hasten the operation for our mill convenience, the pulp was heated and this also militated against bleach economy. With a full furnish and no heating—as will be the conditions in India—the bamboo pulp would be brought to an equal colour with about 12 per cent of bleaching powder.

The 15 rolls of the greyish brown pulp representing 1,175 lbs. (air-dry) were furnished into the Potcher and a full pure white colour was obtained by use of 12½ per cent. of bleaching powder. In one continuous run on the Presse Pate the contents of the tower and this potcher was strained, etc., and special observations were made of the working properties. The frothing tendency referred to before was evident but no undue accumulation resulted. The pulp strained easily and freely with very little waste and no choking. The frothy scum was examined under the microscope and was found to be composed largely of pithy cells with large central canals. The fibres when straining did not seem to separate so completely as esparto and suspended in the water they agglomerated more into flocky particles.

The bleached pulp produced from this run was manufactured into three distinct grades of paper.

1st Grade.—This was divided into four varieties, viz., M. F., S. C., Cream Laid and Art Body Paper and each case gave excellent results as per samples. In producing these, the conditions of beating and manufacture on the machine were exactly similar to those employed when using esparto or mixtures of esparto and chemical wood pulps, and other than the characteristic free or bulky properties of this fibre it is exactly similar in its general physical properties to the usual pure paper-making celluloses.

2nd Grade.—This was Featherweight and by this run proof was obtained that bamboo pulp is fully equal to the best quality of Spanish esparto for the production of bulky papers.

3rd Grade.—This is one with which we are not familiar, but we succeeded in making a first class Blotting, which, when tested in the recognised way, gave results equal to the standard makes. We do not possess the plant suitable for the manufacture of this class which requires very sharp beating tackle and thus the fibres are not cut up enough to make available their full capillary properties, with the result that the paper we have made is rather hard and tough but this experimental lot gives ample proof of the suitability of bamboo pulp for the manufacture of this class of paper.

Microscopic examination of the pulp and paper shows that the fibres are not all of one variety. Some of them are so long and similar to rag fibres and others more closely resemble straw and esparto but there is absolutely no doubt that it is eminently suitable for the manufacture of the highest grades of Printings, Lithos, E. S. writings, Duplicatings, Blottings, Featherweights, etc. It is equal in its paper-making properties to the best Spanish esparto and the greyish brown pulp can be bleached to as white a colour as the highest class of easy bleaching sulphite wood pulp. Its absorbent properties make it a substitute for cotton rags in the manufacture of Blottings.

Esk Mills,

8th September 1921.

(5)

Letter, dated the 13th January 1925, from Tariff Board to the India Paper Pulp Company, Ltd., The Titaghur Paper Mills Company, Ltd., and the Bengal Paper Mill Company, Ltd.

I am directed to refer to letter No. Pg.-95, dated the 9th December 1924, from the Controller of Printing, Stationery and Stamps to the Board, on the

subject of the results of the tests carried out by him of the samples of paper manufactured from a mixture of bamboo pulp and grass pulp by the Titaghur Paper Mills Co., Ltd., copies of this letter were sent direct to the Mills by the Controller.

2. It will be observed from the remarks made by the Controller in his letter that the experiment has had the unexpected result that the paper manufactured from a mixture of grass and bamboos proved to be weaker than the paper ordinarily made from either material separately. The object of the experiment was to establish the fact that bamboo pulp could take the place of imported wood pulp and for this purpose it appears to be entirely inconclusive. I am to enquire whether your company accept the view that no inference can be drawn from the experiment. The Board will also be glad to receive any observations you desire to make on other points in the Controller's letter.

3. It may be desirable that the Board should meet the representatives of all three Companies to discuss the experiment, but a good deal will depend on the views expressed on the replies to this letter. The Board are anxious to dispose of the matter with the least possible delay, and if a meeting is to be held it should take place this week, preferably on Friday the 16th at 11 A.M. I am therefore to ask that your reply may be sent so as to reach the Board by the evening of Wednesday the 14th.

(6)

Letter, dated 13th January 1925, from the India Paper Pulp Co., Ltd., Calcutta.

We have the honour to acknowledge receipt of your letter No. 37, dated the 13th January, in reference to letter No. Pg.-95, dated 9th December 1924, from the Controller of Printing, Stationery and Stamps, to the Board on the subject of paper manufactured from a mixture of bamboo pulp and grass pulp by the Titaghur Paper Mills Co., Ltd.

In reply to your enquiry in paragraph 2 of your letter, we have to state that we agree with the Controller that the experiment is quite inconclusive.

We desire, however, to draw the attention of the Board to the Report on the use of our bamboo pulp at Home in 1921, copy of which we enclosed with our letter of the 30th December 1924.

Further, we submit that there is every reason to believe that bamboo pulp will produce entirely satisfactory results in combination with grass pulp, although a considerable number of experiments may be necessary before the best manufacturing practice for the treatment of the combined pulps can be determined.

(7)

Letter, dated 14th January 1924, from the Titaghur Paper Mills Company, Limited.

We are in receipt of your letter No. 38 of 13th instant in which you refer us to letter No. Pg.-95, of 9th December 1924, addressed to you by the Controller of Printing, Stationery and Stamps with regard to the experiment which we made in manufacturing paper from Sabai grass and bamboo pulp.

At the outset we should like to say that we have thoroughly discussed the Controller's criticisms of the grass and bamboo paper samples produced by us with our expert paper-makers and technical staff at the mills—men of long experience in the industry—and while we do not think it advisable to enter into a controversy we must confess that we cannot quite agree with all the opinions as stated by the Controller in his letter.

When the results of the tests of the bamboo and grass paper are examined, it will be noticed that the lighter weights of paper compare very favourably in strength with any general quality of paper made from woodpulp or grass of the same weight. It is, of course, well known that Sabai grass is one of the best paper-making fibres in the World as regards strength. When making the samples of various qualities and weights from a small given quantity of bamboo pulp, our object was to show that the fibres would amalgamate to make a paper of commercial value which would be in good demand and not to produce special results when various tests as regards folding and bursting were applied. We maintain that the papers produced are stronger than the majority of imported chemical woodpulp papers which are sold largely on the Indian market. It is possible that the Controller, when he referred to the folding test results, had in view the special requirements of one branch of his work but it is our experience that the folding test is not usually taken into consideration by buyers of printing paper. At the same time we have to say that if certain high tests were required it would be possible to manufacture paper from bamboo and grass so as to produce these tests, because of the great strength which grass fibre invariably gives.

As regards the last sentence in the Controller's letter, we do not admit that the India Paper Pulp Company, have on the whole more modern machinery than we have. Further, we cannot accept the statement made in Controller's letter that our writing papers are inferior to other mills and in support of our view we would refer to our bazar sales in comparison with any of the other mills which, after all is the best criterion of our production.

(8)

Letter, dated 14th January 1925, from the Bengal Paper Mill Co., Ltd., Calcutta.

We have the honour to acknowledge receipt of yours of the 13th instant No. 39, with reference to the letter received from the Controller of Printing, Stationery and Stamps, in regard to the experiments in manufacture of Sabai grass and bamboo pulp papers. As we do not know the treatment the various materials were subjected to during the course of manufacture, it is difficult to form an opinion, but we are inclined to agree with the Controller that the experiment is inconclusive, more especially as we see no reason why a paper made from a mixture of grass and bamboo should give an all round inferior test to that of paper made from the admittedly weaker fibre, bamboo.

We believe that a satisfactory paper can be made from a mixture of grass and bamboo pulp, but whether the paper made will be equal in strength so that manufactured from grass and imported sulphite pulp, can only be settled by experience, as it is still doubtful whether the best process has been secured for the reduction of the raw bamboo to pulp.

CALCUTTA
GOVERNMENT OF INDIA PRESS
8, HASTINGS STREET



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